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NEWS SUMMARY

GENERAL

Freighter sinks near rig disaster

The Soviet freighter Mekhanik Tarasov, carrying 37 crew, sank in an Atlantic storm near the area where a giant oil rig capsized on Monday.

Four or five are reported rescued from the ship, and 15 bodies have been found. The rig's crew of 84 are all missing and feared dead.

Two ships were searching for survivors about 200 nautical miles east of Newfoundland, but freezing conditions made it too dangerous for helicopters to fly.

EEC gloom

The EEC is gripped by growing protectionism and wracked by indecision, Commission President M Gaston Thorn warned. Back Page

Times probe

The Trade Department is looking into the legal implications of the transfer of the Times and Sunday Times titles from Times Newspapers to News International, Mrs Thatcher told the Commons.

Laker reprieve

The Civil Aviation Authority is set to relax its deadline over Sir Freddie Laker's operating licences, which formally expire at midnight tonight. Back Page

Leyland warning

BL chairman Sir Michael Edwardes says the company will consider closing Leyland Vehicles if the three-week strike over job cuts continues.

Begin assured

U.S. President Reagan told Israeli Prime Minister Menahem Begin he was determined to maintain Israel's military superiority in the Middle East. Earlier story, Page 6

90% rate rise

Greater London Council agreed a 90 per cent increase in its rate. It blamed the Government and the Law Lords' decision on London Transport. Islington rate poll, Page 7

Pilot's terror

The pilot of the Japanese airliner which crashed in Tokyo bay last week was reported as saying he had been seized by terror and bad lost consciousness just before the crash.

Marks jailed

Former secret agent Dennis Marks was jailed for three years at the Old Bailey after admitting taking part in an international drug smuggling conspiracy.

Amnesty rejected

The Government rejected a call by Labour's Lord Brockway for an amnesty for non-violent prisoners when the Princess of Wales gives birth in June.

Appeals Bill

A Bill to improve the administration of public appeals after sea disasters like the Penlee lifeboat tragedy was introduced to the Commons by the seamen's union sponsored MP John Prescott.

Soviets accused

The U.S. accused the Soviet Union, at the European security conference in Madrid, of operating 20 chemical and biological war establishments in contravention of international agreements.

Briefly . . .

Docking of dogs' tails should be banned by law, said the RSPCA.

Israeli forces arrested nine Palestinian youths in West Bank demoostrations.

Britain and Argentina will resume talks on the Falkland Islands later this month in New York.

Pakistan foreign minister Agha Shahi resigned because of ill-health.

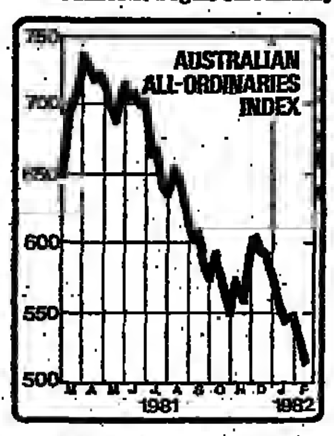
BUSINESS

Equities off; new low in Australia

● EQUITIES were unsettled by opening weakness in U.S. bonds and Wall Street's early sharp fall. The FT 30-share index, less than a point off at noon, closed 6.9 lower at 557.2. Page 28

● GILTS lost much of their early gains. The Government Securities Index finished up 0.04 at 64.83. Page 28

● AUSTRALIA: All Ordinaries Index fell 5.2 to 511.5, the lowest since it began on January 1, 1980, reflecting continued concern over high U.S. interest rates. Page 26



● DOLLAR was steady. It was unchanged at DM 2.295; rose to FFr 6.076 (FFr 6.075) but fell to SwFr 1.911 (SwFr 1.92), and Y240.6 (Y240.75). Its trade-weighted index held at 113.4. Page 21

● STERLING fell 60 points to $1.8315 and declined to DM 4.39 (DM 4.4), FFr 11.1275 (FFr 11.1575) and SwFr 3.505 (SwFr 3.5275). Its trade-weighted index was 91.6 (91.7). Page 21

● GOLD was unchanged at $375.5 in London. In New York, the Comex February close was $376.2. Page 21

● COFFEE: Renewed speculative buying pushed prices on the London futures market to a 19-month high. The May quotation added £16 to £1,322.50 a tonne. Page 27

● WALL STREET was down 5.14 near the close. Page 26

● ROMANIA said it achieved a $303m (£159m) surplus in its trade with the West last year. Page 3

● BP will be among 46 foreign companies invited by the Chinese to enter the first round of bidding for oil exploration rights. Page 4

● CONOCO, of the U.S., was awarded four onshore oil production licences in the Home Counties. Page 7

● TOYOTA, Japanese car maker, reported exports down 9.6 per cent last month, against a year earlier. Nissan exports fell 12.9 per cent. Page 6

Cadbury Schweppes expanding in U.S.

● CADBURY SCHWEPPES, confectionery and soft drinks group, is buying Duffy-Mott Company, U.S. apple juice producer, in a deal worth between $75m and $100m (£54.6m). Back Page

● ACC takeover battle was described as "absolutely dotty" by a High Court judge. Back Page; Judges call for ACC documents Page 8

● GREENALL WHITLEY, brewer, and Scottish and Newcastle have set up a joint company to promote Greenall's Vladivar vodka. Page 7

● OK TEDI MINING has arranged financing worth $850m (£462.6m) to develop its copper and gold deposit in Papua New Guinea. Page 6

● DALGETY, internatiooal merchant, reported pre-tax profits up from £16.2m to £19.6m for the six months to December 31. Page 18; Lex, Back Page

Rail peace plan hits trouble as BR holds out for Aslef pledge

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL last night refused to accept the finding of the independent inquiry into the rail dispute. It insisted that first it must have assurances from the Associated Society of Locomotive Engineers and Firemen on their commitment to the crucial productivity issue of flexible rostering.

The BR board said it would accept the recommendations of the inquiry, chaired by Lord McCarthy, once the Advisory, Conciliation and Arbitration Service had clarified this central point with Aslef, to ensure there was no misunderstanding before negotiations on the issue, recommended by the inquiry, began.

Acas is inviting all the parties to a meeting this morning at which it is expected that clarification on the productivity issue will be sought from Aslef. BR will hold a separate earlier meeting with Mr Pat Lowry, Acas chairman, to explain the commitments it is seeking.

The main points of the findings of the inquiry were:

● That Aslef should call off its industrial action and BR agree to pay the 3 per cent.

● That the recommendations of the inquiry, particularly on the union's commitment to flexible rostering, should be put back into the industry's own negotiating machinery. It is expected that the matter will go to arbitration by the Railway Staffs National Tribunal—comprising the same membership as the Acas inquiry—by March 15, 16 or 19.

● The arbitration should be binding, if possible. If agreement on this cannot be reached, the parties should be prepared to accept a non-binding award and to take the weight of the tribunal as a safeguard of its acceptance. Crucially, however, the inquiry recommended terms of reference for the tribunal which specifically state that the proposals before it should be for the implementation of flexible rostering.

The McCarthy panel said its proposals offered the best prospect of finding a way out of the differences between the two sides. The three-man inquiry, in its unanimous report, said: "The consequences of rejecting what we propose appear to us to be extremely grave and potentially disastrous."

The inquiry said the dispute had escalated into a prolonged and damaging industrial conflict, which it did not believe any of the parties either envisaged or desired. "Our own view is that this was and is a disaster for the railway industry."

Aslef leaders have indicated they would accept the inquiry's findings. Before they would call off the strikes set for tomorrow and Sunday, they would want written notice of the board's intention to pay the 3 per cent second-stage it has withheld from last year's 11 per cent two-part pay deal.

Mr Ray Buckton, Aslef general secretary, said acceptance of the report did not mean any shift in the union's attitude towards the maintenance of the 8-hour working day. This is at odds with BR's proposal to

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Editorial Comment, Page 16

Civil servants attack 4% offer

By Philip Bassett, Labour Correspondent

THE GOVERNMENT came under sharp attack yesterday from Civil Service unions when it made a pay offer to 520,000 white-collar civil servants.

The complex offer, which the Treasury told onion officials was worth 4.05 per cent of the £4.2bo oon-industrial pay bill, appears to sbow Government determination to make Civil Service pay reflect the impact of market forces.

The unions claimed rises of 13 per cent with a minimum weekly increase of £12.50.

Unioo leaders described the offer as "ludicrous, inept, stupid and offensive." They will press for it to go speedily to arbitration.

It proposes a range of increases for different Civil Service grades.

The Government told the Civil Service unions at the end of their 21-week pay strikes last year that negotiations this year would be conducted free from the influence of the 4 per cent cash limit pay provisioo it had set for the public services generally.

The main points of the offer are:

● A freeze oo pay for all staff under 21, and no increase for most new recruits io their first year of service. This proposal affects about 65,000.

● A range of locreases from 1 to 5½ per cent for all other staff, with higher increases for the "most experienced."

● Special allowances for computer staff to avoid losing expensively trained specialists lo private industry.

● Replacement of tax-free luncheon voochers by taxable cash payments of £1.20 a week to about 17,000 jnnior staff, and offer of an interest-free pay advance to bny rail season tickets.

● Opening of negotiations with private medical insurance companies so that the Government can seek "advantageous discounts" for its employees. Staff would take up schemes individually.

The cost of the offer overall is put at aboot £170m.

The offer puts forward little or oo rise for staff wbere the

Continued on Back Page
Details of offer, Page 10

£ in New York

—	Feb. 13	previous
Spot	$1.8300-8350	$1.8445-8460
1 month	0.28-0.33 pm	0.24-0.30 pm
3 months	0.82-0.87 pm	0.79-0.87 pm
12 months	2.60-2.70 pm	2.40-2.60 pm

Zimbabwe's coalition under threat

BY TONY HAWKINS, SALISBURY CORRESPONDENT

ZIMBABWE'S two-year-old coatitioo Governmeot appeared oear to collapse last nigbt.

Mr Joshua Nkomo, leader of tbe Patriotic Front (Zapu), the junior partner io the coalition, said he believed that Mr Robert Mugabe, the Prime Minister, wanted to dismiss him. Should this bappen, he said the four other Zapu ministers in tbe cabinet would leave with him.

With 57 of the 80 black seats io Parliament beld by Zanu-PF, Mr Mugabe has a comfortable majority without the support of the 20 Patriotic Front MPs. But the collapse of the coalition would jeopardise Mr Mugabe's post-independence policy of oational recoociliation and sharply intensify inter-party rivalries.

The Ceotral Committee of Mr Mugabe'a Zanu-PF party held an emergency meeting last night to consider further moves against Zapu following last weekeod's discovery of large arms caches on party property. Mr Nkomo, director of one of the companies which owns a farm oear Bulawayo on which the largest cache was unearthed 10 days ago.

Earlier yesterday, 11 Zapu-owned companies were banned by Presideotial proclamation and police raided the party headquarters io Salisbury.

Mr Nkomo's party's ceotral committee denied knowledge of the arms caches and has sought, unsuccessfully, to shift the blame for the military stockpiles to dissidents within its military wing, Zipra.

Last night Mr Nkomo said he was reassessing his alliance with Mr Mugabe, who last week referred to the Zapu leader as a "cobra in the house." Attempts to unity had "foundered on the Zanu-PF rocks," he said.

He warned that the way Mr Mugabe was handling the crisis had "shattered" morale in the country, regardless of which party they supported.

Mr Nkomo and his four Zapu ministers attended a routine Cabinet meeting in Salisbury yesterday morning, for discussions on security. Zapu dismissals were not discussed, but were left in the hand of the Zanu-PF central committee, the supreme policy making body in the country.

Stephanie Gray adds: The Foreign Office said in London yesterday there were no plans to call off a visit to Zimbabwe by Lord Carrington, the Foreign Secretary later this month. He is scheduled to be in Zimbabwe between February 25 and 27 before visiting Kenya until March 3.

Bitter rivalries in Zimbabwe, Page 4

Jenkin may speed sales of State loss-makers

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TWO initiatives are being planned by the Department of Industry as part of a radical extension of the Government's privatisation policies in loss-making industries and in the telecommunications business.

Ministers want nationalised industries to start selling parts of their operations to the private sector without waiting for them to become profitable. It is hoped that this would release funds for the department to switch to high-technology ventures within public spending limits laid down by the Treasury.

A second British Telecommunications Bill is being prepared to extend the liberalisation initiatives now coming into force, of the first Bill. It would set up a regulatory agency to oversee the operations of British Telecom and new private-sector businesses, and would also spread competition into new areas.

These plans are emerging as part of a review of the Industry Department's policies being carried out for Mr Patrick Jenkin, Industry Secretary.

Mr Jenkin and other ministers are believed to be unhappy about the slow progress made by their privatisation plans, especially in loss-making businesses such as BL, British Steel and British Shipbuilders.

They are beginning to accept that there is little likelihood of the industries as a whole becoming profitable enough to be cut loose from State support before the next election.

They are turning their attention instead to trying to sell parts of the industries without waiting for profits to emerge. The Government might offer "dowries" of State cash to try to make the loss-making businesses more attractive to the private sector.

Major parts of BL (which has already sold some of its peripheral activities) would be early candidates, if buyers could be found, as would sections of British Steel.

BL is likely to become a focus for such sales when a successor is appointed to Sir Michael Edwardes, chairman, who will leave the company when his contract expires at the end of this year. His successor may well be told by Mr Jenkin to change the shape of the company, *selling off as much as possible.*

Some of British Shipbuilders' yards might also be offered for sale, although this would have to await legislation for which parliamentary time has yet to be found.

The idea of a second telecommunications Bill is likely to be resisted by British Telecom. But Ministers believe that a regulatory agency is needed to do the sort of work carried out by the American Federal Communications Commission.

They also want to force British Telecom—which will soon gain approval for its £100m-£150m Buzby Bond—to face up to more private sector competition, especially in cable networks.

A Bill probably would switch some responsibilities for controlling radio frequencies from the Home Office to the Industry Department, although the Home Office would retain its responsibilities for broadcasting.

Joint ventures between British Telecom and the private sector would be pushed forward, although plans to privatise the whole business along the lines of the recent British Aerospace sale probably would be delayed until after the next election. The Bill could prepare the ground for such a sale, however.

Ministers resist scrutiny of State sector, Back Page

De Lorean viable with aid, says Cork report

BY JOHN GRIFFITHS

THE De Lorean sports car company can be viable—but not without further injections of funds, Sir Kenneth Cork's report to the Government concludes.

Sir Kenneth, the leading City accountant appointed by the Government just over two weeks ago to assess a Coopers and Lybrand investigation of the Belfast-based company's affairs, was complimentary about the plaot—a green field site until three years ago—and the company's efforts to build and market the cars.

He said the company, which has been backed by £67m in Government cash and £10m in bank guarantees, could have a future. The $25,000 stainless steel-bodied cars had appeal and were price-competitive, Sir Kenneth added.

But he warned that any improvement in sales depended on the depressed U.S. market recovering—appearing to support De Lorean's explanation of its positioo, says sales will turn up sharply when the spring selling season begins in March.

De Lorean has been seeking, without success, up to £35m to cover its inventory of 2,500 cars not yet sold to dealers. Output has been cut from 400 to 140 cars a week.

Sir Kenoeth gave no indication of what action he had recommended to the Government. A meeting between Mr James Prior, Northern Ireland Secretary, and the De Lorean Board scheduled for yesterday has been postponed until today. A Commons stateoient is expected tomorrow.

Sir Kenneth's report, which comes amid mounting pressure from Ulster politicians, unions and De Lorean suppliers, presents the Government with a difficult decision on the company, which has severe cash-flow difficulties.

The Governoient has indicated that no more funds would be made available. But it is

Cootinued on Back Page

Finns win P & O £80m order

BY ANDREW FISHER, SHIPPING CORRESPONDENT

PENINSULAR & ORIENTAL Steam Navigation, the UK shipping company, has ordered the world's most expensive cruise ship, worth more than $150m (£80m) from a Finnish yard.

P & O Cruises said yesterday that the order had gooe to Wartsila of Helsinki, one of the most experienced builders of modern cruise vessels. Also in the running were French and Danish yards.

Described by P & O as the largest-ever purpose-built cruise ship, she is due to go into service under the British flag from the U.S. West Coast late in 1984. She will cover North American, Pacific and European routes.

The order is probably the most costly by a British company, and is the first major new ship contract by P & O for some years. It is Wartsila's largest order for a single ship.

P & O recently emerged from an extensive debt-cutting period after investing heavily lo gas-carrying and other ships in the 1970s. Recently it has beeo surrounded by stubborn take-over rumours.

At about 40,000 gross registered tons, the oew ship will oot be as large as some passenger liners built before airlines dominated scheduled rootes.

P & O said the ship would contain many design innovations, but was reluctant to elaborate on these. The sleek, futuristic-looking ship will carry 1,200 passengers and a crew of 500.

"We are building the first ship for the 1990s," said Dr Rodney Leach, chairman of P & O Cruises.

Wartsila has built 14 cruise ships at Helsinki since 1970 and will deliver another, the Song of America, for Norwegian owners later this year.

Several new cruise ships are due to enter the market this year and oext, concentrating mainly on the busy Carribbean waters.

The oew P & O ship will sail from Los Angeles as part of its Princess Cruises operation. Much of the cost will be financed through traditiooal shipbuilding credits.

P & O bas three cruise ships operating from Los Angeles. Its total cruise fleet is seven. The flagship is the Soothampton-based Canberra, 45,000 tons, over 20 years old.

P & O profits from cruising, where the U.S. market predominates, were just under £7.5m in 1980, down on the previous two years due to higher fuel costs and exchange-rate losses.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Akroyd Smlthers	190	+ 6	Beecham	230	− 6
Bibby	335	+ 20	Blue Circle	512	− 8
Eagle Star	364	+ 4	Glaxo	464	− 6
FNFC	38	+ 1½	Grindlays Bank	200	− 6
Foster Brotbers	66	+ 4	ICI	342	− 8
Geers Gross	120	+ 8	Johnson Matthey	265	− 12
Hawley Group	81	+ 5	Metal Box	184	− 6
Inter-City	37½	+ 2	Redland	173	− 5
Martio, Newsagent	320	+ 8	Utd Eogineering	263	− 5
Peachey	151	+ 4	Claremont	65	− 9
Pleasurama	420	+ 25	Impala Plat	290	− 24
Reardoo Smith	140	+ 10	Roan Cons	60	− 20
Tara Exploration	450	+ 60	Rustenburg	180	− 15

CONTENTS

For latest Share Index phone 01-246 8026

More out of work in France last month

French unemployment rose again in January despite the Socialist Government's efforts to create jobs, but the rate of increase has slowed, official figures showed yesterday, Reuter reports from Paris. The number of unemployed rose from December's 2,014,400 to 2,034,000, a 1 per cent increase, the Labour Ministry said. Seasonally adjusted figures gave a 1.1 per cent rise to 1,922,500.

The rate of increase was the same as in the last two quarters of last year, but only half that was in the second half of 1980 and the first half of 1981. France does not publish the percentage of its labour force out of work, but according to the latest figure issued by the European Community it is around 9 per cent.

Bonn oil report

The conversion of hard coal into oil would make little economic sense, the West German Technology Ministry said yesterday, Reuter reports from Bonn. Results of a DM 12m (£2.7m) pilot project conducted by the West German oil concern, Veba Oel, show that the Government would do better to look at heavy oil distillates in its search for an alternative source of petrol. Heavy oil distillates are a by-product of the oil refining process and are normally sold for heating purposes.

Investment forecast

West German companies will invest less this year than last in spite of the offer of investment incentives under the Government's job creation programme, according to Herr Franz Schoser, the Industrial and Trade Association's executive secretary, Reuter reports from Bonn.

Chemical arms claim

The U.S. claimed yesterday that the Soviet Union has operated a score of chemical and biological weapons production facilities in contravention of international accords, Reuter reports from Madrid. Mr Max Kampelman made the charge at the European Security conference, at which he is the chief U.S. delegate. The Soviet representative angrily denied the charges.

Socialists open new front in attack on Spadolini

BY RUPERT CORNWELL IN ROME

THE ITALIAN Socialists are stepping up their offensive on the five-party administration of Sig Giovanni Spadolini, the Prime Minister, this time over his supposedly mild attitude to the civil war raging in El Salvador.

Yesterday saw a bitter attack by Sig Bettino Craxi on Sig Emilio Colombo, the Christian Democrat Foreign Minister. The Socialist leader accused Sig Colombo of being far too tolerant, for party reasons, of the excesses over which Sr Jose Napoleon Duarte, the Central American state's Christian Democrat ruler, was presiding.

The tactics are generally seen as a new phase in the Socialist Party's strategy of bringing down the Spadolini administration. The aim is to secure either a Socialist-led Government, or a general election, at which the Socialists are confident of improving their position considerably.

The row is causing much embarrassment for the Prime Minister. He is faced with the choice either of disowning his own Foreign Minister—and by extension the Reagan Administration—or risking the defection of the Socialists, whose support is crucial for his Government's survival, on an important foreign policy issue.

In a first attempt to reach a compromise, Sig Spadolini has declared that under no circumstances will Italy accede to Washington's request to send observers to El Salvador and, in effect, legitimise the general election scheduled there on March 28.

This proved insufficient, however, and the Prime Minister has now been forced to convene a special meeting of the five coalition party leaders to discuss the foreign policy of his Government.

Although it seems unthinkable that as remote an issue as El Salvador could precipitate the downfall of the Government here, the Socialists and their Social Democrat allies in the Government are pressing for the agenda of the talks to be widened to include other issues. As such, it will be another episode in the war of nerves being waged by the Socialists against Sig Spadolini and, above all, the Christian Democrats.

It also brings to an abrupt end the period of grace recently enjoyed by the Government after its multiple successes against terrorism, and more encouraging news on the economic front where both inflation and the payments deficit are declining significantly.

Dr Carlo Ciampi, the Governor of the Bank of Italy, declared at the weekend that Italy's current account deficit dropped to under L1,000bn (£426m) in the last quarter of 1981 from L4,000bn (£1.7bn) in the first. The full year deficit was L9,000bn he said.

Railman loses EEC appeal

LUXEMBOURG — The European Court of Justice ruled yesterday that allowing women to retire at an earlier age than men does not represent sex discrimination under European Community rules.

EEC law stipulates only that employers must offer the option of early retirement to both male and female workers, it said. The fact that early retirement age "is not the same for men as for women cannot in itself be regarded as discrimination."

The ruling went against Mr Arthur Burton, a male employee of British Rail, who argued that his employer discriminated against men by allowing female workers to take early retirement at age 55 and male workers at age 60.

He sought early retirement in August of 1979 when he was 58. His request was turned down. Mr Burton took his case to an industrial appeal tribunal.

The tribunal referred it to the European Court. AP

E. Berlin looks to Iran for oil

BY LESLIE COLITT IN BERLIN

EAST GERMANY has turned to Iran in the hope of obtaining oil which the Soviet Union cannot deliver in adequate amounts. President Erich Honecker has recently had talks with Iran's visiting Deputy Prime Minister, Mr Ali Jasebi, at which they expressed a desire to expand co-operation.

The late Shah, with whom East Germany cultivated its relations, was scheduled to visit East Berlin when he was toppled from power. The East German Government immediately began building on its contacts with the new leaders and, at one point, an Iranian delegation expressed interest in economic co-operation.

East German statistics do not reveal whether there has been any import of Iranian oil. The total volume of trade between the two countries in 1980 is given as just under 700m Marks (£159m). The Soviet Union's 10 per cent reduction in oil deliveries this year to most other Comecon countries means the East Germans are even more anxious to obtain Iranian oil.

Until now East Germany's only listed non-Communist sources of oil have been Iraq which provided 1.5m tonnes in 1980 and Algeria which delivered 200,000 tonnes.

At the same time that Mr Jasebi was in East Berlin, an East German government delegation arrived in Iraq with which Iran is at war. Herr Gunter Kleiber, a Deputy Prime Minister who headed the delegation, said he was convinced his visit would strengthen the "traditionally friendly" co-operation between both sides.

Mr Jasebi also met the head of the East German Christian Democratic Union, a Communist-controlled party, who told him about the activities of "religiously affiliated citizens" in East German life.

French Communists in decline, but go down slowly

BY DAVID WHITE IN PARIS

WHEN IT comes to showmanship, the French Communists have the edge on their political rivals. Their 24th Congress, which ended recently, was billed as the Congress of the Blues. But it turned out to be a cross between a boy scout jamboree and a Billy Graham rally.

Amid blizzards of confetti and thunderous applause, M Georges Marchais, miraculously restored after his inglorious presidential campaign last April, was re-elected leader. In the garishly-decked indoor sports centre, 2,000 pairs of hands were then joined aloft for a final display of community singing.

Admiring this, one of the Congress guests was moved to comment: "I just wish they would start believing a bit less and thinking a bit more."

Five days of speeches failed to lay bare the puzzle of the French Communist Party, which was given a share of governmental power last year when it was at its weakest point since the war.

The Congress yielded few surprises. Changes may be on the way—including the replacement of the weakened M Marchais as secretary-general—but not before the next, much-feared series of elections: cantonals in March, municipals next year.

The innovation of open debates allowed a token dissident voice to be heard. Any remaining contradictions were expertly wrapped into the party line. The party is in the Government, but differs from the Government. It rejects the Soviet example as a model for France but consents to the application of the Soviet line elsewhere — a now-you-see-it-now-you-don't sleight of tongue of which the inscrutable M Marchais is a master.

M Marchais closed the congress with a clear commitment to the ruling coalition. "Every Communist," he said, "must know how to speak and act as a member of a party of the majority, of a government party on which the hopes of French men and women partly rest. The people can see us doing the job."

There are, however, reservations within the party hierarchy about the Government alliance.

But the call for a constructive approach corresponds to a genuine desire in the Communist base to make the most of being in power and to exercise a positive influence on Government priorities.

M Marchais . . . blizzard of confetti

The status of government partner is also seen as the best card the Communists have to play in the forthcoming elections.

The drop in voting support is officially blamed on the "wrong appreciation" of French society made in the first 20 years of the post-Stalin era. The French party now proposes a tailor-made "model." Its "socialism in French colours" makes room for family farms, for small and medium-sized private enterprise, and for traditional liberties. On the other hand, it has very few objections if Russian or Polish Communists do things differently.

Between 1974 and 1978 the party moved away from Moscow. The Polish crisis, coming after the party's support for Moscow over Afghanistan, speeded its move back. Arguing that martial law in Poland was the best option in the circumstances, the party dug a ditch between itself and the Government in which four of its members were sitting. At the last meeting with the Socialist Party, the two sides agreed it was pointless trying to find common ground over Poland.

After a long bout of malaise in its ranks and bewildering twists in strategy, the party preferred a public flogging from the Socialists rather than abandon one of the basic elements of its own, strongly-felt identity.

"To want to isolate our combat," M Marchais said, "from that of other forces struggling for socialism against capitalism would be suicidal."

By taking this choice—radically different from that of the Italian and Spanish Communists—the leadership is effectively jettisoning many liberal intellectuals.

M Marchais has concentrated on preserving an image of unity among the rest. To do so he had to appease the die-hard pro-Soviet minority, who resented the way he blamed his predecessors for letting the party down.

As M Marchais' authority has waned, the influence of anti-Socialist and pro-Soviet hardliners in the politburo has waxed.

Solidly rooted in an industrial working milieu, the party relies on its grass-roots supporters being more concerned about their daily bread than about Solidarity.

Its problem is broadening this support. Few believe its claim to a growing membership of 710,000. More seriously, apathy has crept into the organisation and militants have deserted the cells and sections that make up the base of the power pyramid.

Last year, it lost half its seats in the National Assembly. Next year, if support does not recover, it will lose places in local government, which are a source both of employment for its militants and, through service and supply companies, a large part of its funds.

The party, however, still has teeth. Communist candidates did not stand in the recent series of by-elections, and the Socialists lost all four. In last year's elections, the Communists' ability to rally their vote in support of other Left-wing candidates was crucial for the Socialists. This time, battered by the Socialists over Poland, they gave only half-hearted support.

The Communists' decline may be irreversible. But even if it is, it is going to be a long business.

Nationalists boycott Malta's Parliament

By Godfrey Grima in Valletta

MALTA'S constitutional crisis has taken a turn for the worse with the announcement by the Nationalist Party, headed by Dr Eddie Fenech Adami, that it was boycotting Parliament. At last December's general election the party polled 4,000 votes more but won three parliamentary seats less than Mr Dom Mintoff's ruling Labour Party. The nationalists claim this was due to the gerrymandering of electoral boundaries.

At a news conference Dr Fenech Adami said that the party which won the highest number of votes could not sit on the opposition benches. The present impasse could be removed if the Government agreed to administer the country by consensus.

At the opening of Parliament on Monday night, the acting President, Dr Albert Hyzler, in the speech from the throne said the Government would pursue the policies it had put forward over the past 10 years. Efforts were being made to increase trade with the Soviet Union and other East European countries and to hammer out a new and more favourable association agreement with the European Community.

In the fields of tourism and manufacturing industry, efforts were being made to make Malta more competitive and to step up output.

In a biting attack on the Nationalist Party, Mr Mintoff told Parliament that the Government was prepared to discuss possible changes in the constitution, but not under duress. He opposed the creation of a one-party state, but the Nationalists must behave within the limits laid down by the constitution.

With the Nationalist Party boycotting Parliament, the Government cannot call another parliamentary sitting unless a change is made to the standing orders of the House of Representatives.

The Nationalists are also boycotting the state-owned radio and television stations. They object to what they consider broadcasts biased in favour of the Government.

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TV DEBATE EXPECTED TO PROVE CRUCIAL

Irish polls put rivals neck-and-neck

BY OUR DUBLIN CORRESPONDENT

IRELAND'S TWO main political parties have entered the last stage of the general election race almost neck-and-neck.

The latest opinion polls before tomorrow's vote contradict one another and analysts' best estimates suggest that there is no more than two to three percentage points between Dr Garret FitzGerald's Fine Gael and the Fianna Fail party led by Mr Charles Haughey.

A televised debate between the two leaders, scheduled for last night, was expected to prove crucial.

It was the first time a television confrontation of this kind has taken place in an Irish general election.

The opinion polls appear to show a volatile electorate ready to swing from one side to the other.

One shows the ruling Fine Gael-Labour coalition ahead by 5 per cent, while another indicates an opposition lead of a similar margin. However, the poll which favoured the opposition was taken immediately after Mr Haughey launched his alternative budget strategy, in which he proposed easing the burden on domestic consumers at the expense of companies and financial institutions.

Even this poll came too soon to take into account the Government's counter-attack, which accused the opposition of "creative accountancy" because it was bringing forward to 1982 taxes payable next year.

Polls show that an overwhelming majority of the electorate thinks unemployment (now over 12 per cent) and the inflation rate (over 20 per cent) are the most important issues.

The opposition Fianna Fail scores well on these issues but a significant proportion of voters—around 12 per cent—put government spending and the country's foreign borrowing at the top of their list.

This is the area on which Dr FitzGerald has concentrated his attack, blaming the previous Fianna Fail government for the situation in which the budget deficit reached 8 per cent of GNP. In particular, he has concentrated on Mr Haughey's 18 months as Prime Minister when foreign debt almost doubled from Ir£2.5bn (£2bn) to nearly Ir£4bn (£3.2bn).

Mr Haughey . . . personal rating at least 20 per cent behind Premier

Rural voters revive interest in national issues

BY BRENDAN KEENAN, DUBLIN CORRESPONDENT

THE CONSTITUENCY of Cavan Monaghan sprawls for some 50 miles among the little round "drumlin" hills and the boggy lakes which lie between them. Its northern boundary is the convoluted border with Northern Ireland. Indeed, the main road between the towns of Cavan and Monaghan runs for five miles through Northern Ireland.

This is one of the constituencies which could decide who wins the Irish general election, called after the Government of Dr Garret FitzGerald was defeated over its budget last month. It is one of the seven which Sinn Fein, political wing of the provisional IRA, picked for its first venture into electoral democracy.

The constituency elects five TDs (MPs) under the proportional representation system of voting. At present, the two major parties, Mr Charles Haughey's Fianna Fail and Dr FitzGerald's Fine Gael, hold two each.

The fifth was held by IRA prisoner Kieran Doherty, until he died on hunger strike last year. Every seat will be vital in what looks like a close election and the two major parties are fighting hard to win Mr Doherty's seat back.

Dr FitzGerald recently toured the constituency bearing gifts: a public park for Castleblayney (pop. 3,000), and a school gym for Bailieborough (pop. 1,300). Mr Haughey called too, although he could provide only the excitement of a helicopter landing and the promise of better things to come. Remarkably, broad national issues are featuring high in this remote and rural constituency.

It is an odd experience to watch Fine Gael farmers, shopkeepers and housewives applaud Dr FitzGerald, as he tells them sternly that the current budget deficit must be reduced. Six months ago, most of them would not have recognised the current budget deficit had it walked down the main street of Ballyjamesduff (pop. 800).

Fine Gael's director of elections, Mr Tim O'Brien, has one explanation for this almost unprecedented interest in national issues. "This is the first election to be held in winter since the advent of television," he says. "Everybody's at home watching the economists on the box."

There is also what has become known in this election as the "Haughey factor." Fianna Fail canvassers admit privately that they are getting hostile reactions to Mr Haughey's leadership and fear it could cost them votes.

Mr John Wilson, a former Education Minister, who is the opposition front-runner in the constituency, says: "When you ask, people cannot point to any specific complaint about Mr Haughey's record."

He believes that Mr Haughey's unpopularity is partly due to a smear campaign by the media. Although it is true that Mr Haughey's relations with the media could hardly be worse, the malaise goes deeper. Dr FitzGerald's success in making the national finances a major issue means that Mr Haughey's record in handling them has come under scrutiny and his reputation—which was essentially as a manager—has suffered.

Fianna Fail in Cavan-Monaghan maintains an unworried air. "This smear campaign makes decent party members foam at the mouth," says election campaign organiser Mr McCarten MacCormack.

Fianna Fail believes that the fifth seat rightfully belongs to it and will be won back.

What of Sinn Fein, who would seem the natural heirs to the hunger striker's seat? Veteran observers admit that they were proved wrong by Mr Doherty's success, but are sure it cannot be repeated.

"They ran a very subtle campaign on the basis that the "loan" of a vote could save a life," says Mr O'Brien. "That won't happen again."

The local Sinn Fein group defied party headquarters by insisting on running another prisoner candidate. He is a local man, Mr Seamus McElwain, who is awaiting trial in Belfast on charges arising from attacks on the security forces.

Sinn Fein councillor Charles Boylan is certain that fighting elections is the right strategy. "We could win the war and lose the peace" is how he puts it.

However, should the mainstream politicians prove right, and Sinn Fein fails badly, it could reopen deep divisions about future policy in the provisional movement.

Although Northern Ireland is bound to loom large in a constituency like this, it is not really an issue. There may be differences between Dr FitzGerald and Mr Haughey on the question, but there are not enough to make people switch party allegiances.

The issues in Cavan-Monaghan, as elsewhere, are largely economic. If one of the big two parties does take that fifth seat, they should be well on their way to office.

Romania's trade with West $303m in surplus

By Leslie Colitt in Berlin

ROMANIA SAID it achieved a surplus last year of $303m (£159m) in its trade with the West, but this will not allow it to reduce its Western indebtedness, estimated at more than $10bn.

West German specialists on the Romanian economy noted that Bucharest's interest payments to the West this year alone have risen to $1.5bn.

Figures released by the Romanian statistical office showed that the country's hard currency exports last year were $8.2bn and imports were $7.9bn. This represented a considerable rise in hard currency exports in dollar terms and a much smaller increase in imports over 1980.

Romania's exports to the West, the Third World and Comecon rose by 11.3 per cent to Lei 167.7bn (£5.9bn) last year while imports were Lei 164.7bn. The Lei 3bn surplus was equivalent to $200m.

The Romanian news agency Agerpress said 12.9m tonnes of oil were imported last year. This compared with 15.5m tonnes imported in 1980, according to the Romanian Foreign Trade Ministry. The decline also represented reduced Romanian refining of imported oil for sale in the West and idle refining capacity.

Romania imported 1.2m tonnes of its oil from the Soviet Union last year which it paid for in dollars.

Bucharest is anxious to convince Western banks it is serious about boosting exports and restricting imports.

The Government introduced sweeping food price rises this week as part of a strategy to reduce large State subsidies to agriculture.

Nearly 1,000 face summary trial in Polish courts

WARSAW — Poland's martial law authorities, accusing their opponents of planning terror and revenge, have announced that almost a thousand dissidents are facing summary conviction for offences against the state.

The Prosecutor-General's office in Warsaw said summary investigations are under way against 964 people accused of martial law offences since the imposition of military rule last December. The offences included continuing the activities of suspended organisations, organising strikes and related propaganda campaigns, and undermining Poland's defence potential and its alliances.

In a lengthy condemnation of dissident activity yesterday Trybuna Ludu, the official Communist party newspaper, listed a number of underground leaflets now in circulation, including one calling for "Death to the Reds."

Trybuna Ludu said other leaflets predicted there would be a bloody civil war and tried to antagonise people against the armed forces.

Reports reaching Warsaw from other cities told of anti-Government slogans being daubed on buildings and quickly obliterated by the authorities. A favourite slogan, sighted in places as far apart as Zamosc in the south-east, Gdansk in the north and Wroclaw in the south-west, is "The winter is yours, but the spring will be ours."

The government newspaper, Rzeczpospolita, said troublemakers in Gdansk had involved children in their activities by concealing in their schoolbags leaflets calling for defiance of martial law and hostile demonstrations against the state.

Travellers from the Lublin region of East Poland said they had heard reports of tightened martial law restrictions after unrest in the Lublin industrial suburb of Swidnik.

● An explosion in a workers' hostel in Wroclaw on Monday killed a 21-year-old man and destroyed part of the building, the Polish news agency, PAP, said yesterday.

Agencies

Banks tally debt payments

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

WESTERN BANKERS began checking yesterday to see whether Poland had completed payment of its 1981 interest arrears amid signs that transfers of funds were stepped up ahead of Monday's deadline.

"We are hearing everywhere of more payments coming in," said one banker, "but it could be as late as next week before all the data are complete."

The banks need to know that all the payments have been made before they will set a date for signing the agreement to reschedule some $2.4bn of debt falling due to the commercial banks in the final quarter of last year.

The checking process is lengthy and complicated because each of the 500 banks has to report its position to the national co-ordinator of its own country which then has to pass on the information to accountancy firm Peat, Marwick Mitchell who are auditing the agreement.

Preparations for the signing, which would have stopped at once if early indications had been negative, are meanwhile proceeding

Three directors jailed in Dutch pollution trial

BY CHARLES BATCHELOR IN AMSTERDAM

A DUTCH COURT has sentenced three directors of a bankrupt waste disposal company to two-and-a-half years' jail for failing to comply with environmental controls and for fraud.

Sentencing the men from Uniser Holding, a judge in Breda criticised the Dutch chemical industry in its dealings with the company.

Uniser dumped thousands of gallons of polluted liquid waste into rivers and sold toxic residues to unsuspecting companies for use as fuel, the court decided.

The two-month trial of the three men and of two senior officials of Uniser was the largest of its kind held in the Netherlands and followed 19 months of police investigations.

The judge ordered a lesser penalty than the four- to four-and-a-half years demanded by the public prosecutor because several charges, including one that the company had deliberately misled waste suppliers, were not proved.

He sentenced Mr Gerrit Bernouw, Mr Fred van Driel and Mr Magnus Souverein to one year's imprisonment for dumping poisonous chemicals and to 18 months for fraud. Two other Uniser officials were sentenced to 10 and seven months respectively.

Some of the chemicals were so powerful that they began to decompose the suits of divers investigating a polluted river bed. Handcarts used by market gardeners in Belgium were corroded by ash left after the burning of fuel residues supplied by Uniser, it was alleged during the trial.

Uniser claimed it could process 200,000 tonnes of chemical waste annually, but its processing capacity was inadequate, the public prosecutor said.

Several chemical companies continued to deliver waste products to Uniser despite warnings from the Ministry of Water Control that it was suspected of illegal dumping.

A representative of Shell Chemicals, part of the Royal Dutch Shell group, told the court that the company had inspected Uniser's facilities and had been satisfied.

French pay talks collapse

By David Housego in Paris

KEY TALKS between the French Government and unions over the size of this year's pay increase for civil servants broke down yesterday after the Government declined to improve its proposals.

The seven unions involved in the talks reacted sharply to the Government's refusal to move from its offer of 105 per cent in four staggered increases, which it sees as a crucial element of its attempt to bring down the rate of inflation from its 1981 level of 14 per cent.

The pro-Socialist CFDT union expressed its strong disappointment, and spoke of "a dialogue of the deaf." The Communist-led CGT took a predictably tougher line saying that the budgetary allocation for pay increases in the civil service this year was insufficient to maintain purchasing power. Civil servants hoped more from a government of the Left, a spokesman said.

The Government's proposals for the civil service—which will inevitably provide a guideline for settlements in industry—are an attempt to break the virtually automatic indexing of wages to the inflation rate. This has been an important factor in perpetuating high levels of inflation in France.

They envisage increases for the country's 4m civil servants of 2.6 per cent in March and June and 2.5 per cent in September and December, on top of 0.3 per cent already granted in January. The formula envisages "catch-up" payments being made in June and December if the inflation rate should be above 10.5 per cent.

Apart from lowering the inflation rate, the Government's aim is to secure a real increase in purchasing power for the lowest paid.

Food boycott move

Italian consumers might boycott French food imports in retaliation for the Mitterrand Government's restrictions on Italian wine, Fabio Fabri, Agriculture Under-secretary, said. AP-DJ reports from Rome. He said he hoped the "wine war" could be ended before President Mitterrand's Italian visit on Friday week.

China opens bidding for offshore oil

BY TONY WALKER IN PEKING

BRITISH Petroleum, which has carried out extensive seismic survey work in China's offshore waters in the past several years, will be among the 46 foreign companies invited by the Chinese to enter the first round of bidding for oil exploration rights.

The China National Offshore Oil Corporation, which was established on Monday to oversee foreign involvement in the development of oil reserves along the Chinese coast, announced yesterday that it had officially opened bidding for exploration leases over a total area of 150,000 square kilometres.

Only companies which contributed more than $200m which the surveys are estimated to have cost, are eligible to enter the bidding at this stage.

The area opened to bids includes parts of the Yellow and South China Seas and a section of the Beibu Gulf. Companies are being asked to register an interest in bidding by the end of March. If they indicate an interest, they will be formally asked to bid for exploration rights.

An official for the Chinese oil corporation said that after March 30, those registering an interest would be invited to send representatives to China to obtain bidding qualification certificates and documents. Among the documents expected to be issued to companies are a model contract and further tax regulations.

Areas opened for bidding are expected to contain large reserves, the official said.

It is estimated that development of China's offshore oil reserves will cost around $20bn.

Dr Mana Said Al-Oteiba, president of the Organisation of Petroleum Exporting Countries called yesterday for swift cuts in oil production to deal with the current world glut, ruling out the other option of lowering Opec official prices, Reuter reports from Abu Dhabi.

Dr Oteiba, oil minister of the United Arab Emirates, told the daily newspaper Al-Bayan: "Cutting prices will not solve the problem of the market surplus. The successful solution is to cut production."

The benchmark of $34 for Saudi Arabian light crude would remain, he said.

Saudis hit back at PLO attack on U.S. links

BY OUR BEIRUT CORRESPONDENT

SAUDI ARABIA has been angered by remarks made by an official of the Palestine Liberation Organisation, with the State-controlled Saudi Press issuing a reminder that Saudi money has been buying guerrilla bullets.

Saudi Press editorials and a statement by Sheikh Mohammed Abdo Yamani, the Information Minister, have indicated that Riyadh has been stung by the remarks made by Mr Abu Iyad, the second-in-command in the guerrilla movement.

Mr Iyad had told the Lebanese English - language weekly magazine Monday Morning that the setting-up of a joint Saudi-U.S. military committee was a mistake, and that it will promote the establishment of U.S. military bases in the Gulf region.

The military committee was formed after a visit to the Kingdom earlier this month by Mr Caspar Weinberger, U.S. Defence Secretary.

Sheikh Yamani rejected "all insinuations" about the committee. In a statement to the Government-run Saudi Press agency, he said the object of the committee is nothing more than following up on military purchases and projects between the kingdom and the U.S.

The Saudi daily Al Riyadh in an editorial quoted by the Saudi State radio, asked yesterday: "Who is paying for the bullets with which the Palestinians are fighting, and who is backing the confrontation States?" It answered: "It is Saudi money and Saudi patriotism."

The exchanges coincided with a visit to Riyadh by a high-ranking PLO delegation which is carrying a message from Mr Yassir Arafat the PLO chairman to King Khaled. The delegation is led by Mr Arafat's political adviser, Mr Hani Al-Hassan.

The letter is believed to relate to the PLO's expectations of a major Israeli military attack against Palestinian positions in Southern Lebanon.

Syrian Government forces keep up siege of Hama

BY OUR FOREIGN STAFF

SYRIAN GOVERNMENT forces continued the siege of the northern city of Hama yesterday trying to eradicate pockets of rebels still holding out after 15 days of fighting. Ba'ath party militia are making house-to-house searches for weapons belonging to the fundamentalist Moslem Brotherhood.

"The situation is that if the Government soldiers are in the first floor of a hotel, they do not know if they have the building, because the Moslem Brothers might be in a room upstairs," one observer in Damascus said.

The inability of the Government wholly to crush the revolt two weeks after it started emphasises the seriousness of the threat to President Assad's régime.

However, there has been no independent confirmation of claims by the Syrian opposition that units of the regular army changed sides during the early stages of the fighting in Hama.

The road linking Damascus, the Syrian capital, with southern Turkey has now been re-opened, with a detour around Hama. Journalists are still banned from leaving Damascus and information on the rebellion remains patchy.

S. Africa plans new security Ministry

By J. D. F. Jones and Bernard Simon in Johannesburg

THE SOUTH AFRICAN Government will set up a new Ministry of Law and Order as part of its acceptance of the recommendations of the Rabie Commission, whose report was tabled in Parliament a fortnight ago.

Mr P. W. Botha, the Prime Minister, yesterday told Parliament in Cape Town that the new Ministry would have two wings—the South African police and a Directorate for Security Legislation. The present Minister of Police, Mr Louis le Grange, would take over the new portfolio.

Mr Botha said that the Government accepted in principle the other main recommendations of the Rabie Commission of Inquiry into security legislation.

The commission's main conclusion was that the threat to South Africa was so great that detention without trial for interrogation purposes should be maintained, though with a number of safeguards such as regular visits by a magistrate and a district surgeon.

It was claimed in Parliament yesterday, meanwhile, that Dr Neil Aggett, the South African trade unionist who died in detention 10 days ago, had been assaulted by police during lengthy interrogation sessions; according to a letter written by another detainee.

The letter was read to Parliament by Mrs Helen Suzman, the veteran Opposition spokesman on civil rights, during the debate on proposed changes in the country's security laws.

After Mrs Suzman had read the letter, Mr le Grange asked that all reference to it be expunged from the official Parliamentary record in terms of an earlier ruling by the Speaker that members may not refer to Dr Aggett's death during debates.

The author of the letter claimed that Dr Aggett had been hit with a belt or a rolled-up newspaper while naked and doing press-ups. "I saw him being interrogated by approximately six guys," the letter said, adding: "He was sweating profusely and when once he nearly fell over a chair with exhaustion, he was further harassed."

A pathologist appointed by Dr Aggett's family to attend his post-mortem is understood to have found no signs of physical hurt beyond neck injuries.

According to the police, Dr Aggett, who had been in detention since last November, was found hanging in his cell within half an hour of being seen alive and well by a policeman.

Mr le Grange said that he would investigate allegations made in the letter read by Mrs Suzman. He added: "The knowledge at my disposal is that (they) definitely cannot be true."

Bitter rivalries among Zimbabwe's leaders are worsening, writes **Michael Holman**

Mugabe grapples with a political cobra

The wrath of the followers of Mr Mugabe (top) is unlikely to be assuaged by yesterday's liquidation of 11 companies owned by the party of Mr Nkomo (bottom), following the discovery of huge arms stockpiles on the party's property. The split between the two coalition parties is too deep for that.

WHEN Robert Mugabe, the Prime Minister of Zimbabwe, described his coalition partner Joshua Nkomo, last weekend, as "a cobra in the house," he was using in public the language which his own party officials have been using in private ever since the Zimbabwe coalition government was formed after independence elections in 1980.

However, yesterday's liquidation of 11 of Mr Nkomo's Zapu-owned companies, following the discovery of huge arms stockpiles on the party's property, is not likely to assuage the wrath of Mr Mugabe's followers.

The bitter rivalries, which separate Mr Mugabe's Zanu and Mr Nkomo's Zapu in the early 1960s, have never ended, in spite of a nominal military alliance during the seven-year guerrilla war which led to independence. Indeed, in the course of the war relations were, if anything, made worse.

Mr Mugabe, in a reference calculated to rub salt into still open wounds, reminded a rally of the ruling Zanu last weekend that Mr Nkomo had, during that war, taken part in secret negotiations with Mr Ian Smith, the former Prime Minister.

It was not surprising, then, that when independence elections were held in February 1980, Zanu turned down Mr Nkomo's suggestion that the Patriotic Front — a loose alliance between the two parties—should contest them as a single party.

Mr Mugabe's conviction that he could comfortably win as Zanu alone proved correct. The party swept home with 57 seats to Zapu's 20 in the 100-seat parliament—20 seats went to Mr Smith's Rhodesian Front white MPs. Under the circumstances, Mr Mugabe's willingness to bring Zapu into government—it currently has nearly a quarter of the cabinet seats—was both generous and politically sound.

Zanu managed to win a single seat in the traditional Zapu stronghold of Matabeleland, home of around 18 per cent of the country's population and Bulawayo. This is the country's second largest city—an important light industrial centre and headquarters of Zimbabwe's railways.

But there were rumblings from the start. Senior Zanu officials made no secret of their belief that Zapu — and Mr Nkomo in particular — was not to be trusted. For their part, Zapu convinced themselves that the elections were unfair, accusing Zanu of intimidating voters, using much the same language as white politicians in the past complaining about the tactics of black nationalist parties.

Yet the coalition oversaw a major achievement. It brought the two parties' two forces (which had occasionally clashed in the field during the war of independence), into a national army, living in barracks and more susceptible to discipline.

But for Mr Nkomo — who played a valuable conciliatory role when rival units clashed in Bulawayo and the Midlands a year ago — it must have been a painful process. He had to dismantle the army which he had painstakingly built up over the years, and which gave him his political clout during the war.

Worse was to come. Last year Mr Mugabe announced the formation of a North Korean trained fifth battalion, overwhelmingly manned by former Zanu guerrillas. The decision was not taken in consultation with Mr Nkomo, who vented his anger at the formation of what looked like a Praetorian Guard, loyal not to the Government of the day but to Mr Mugabe and Zanu.

The episode fuelled the debate within Zapu between the younger, Ndebele members who argued that the party should reject the coalition and establish itself from the start as the opposition, and a group — including some of the most prominent Shona members — who argued that Zimbabwe's tribal arithmetic made any election victory highly improbable.

Unless Mr Mugabe breaks the terms of the Lancaster House constitution—which rules out a legal one-party state for seven years—he will have to live with the prospect of an angry Mr Nkomo on the political rampage.

Mr Nkomo has tried to straddle the two groups, but he has left most observers with the impression that this veteran politician, who may still believe that the leadership of Zimbabwe is his rightful political heritage, was biding his time.

Hence, when Mr Mugabe anounced recently that talks with Zapu were soon to begin on the establishment of a one-party state, Mr Nkomo angrily declared that he would contest the next election.

But that announcement preceded the revelations about massive arms caches—enough to equip a small army, if reports are correct—on property owned by Zapu.

Mr Nkomo is now in an invidious position. If it can be shown that he was implicated in any way with the caches—prior knowledge of which he has denied, saying that the weapons were planted—his role in the coalition is at an end. If, on the other hand, the caches are the work of a group within Zapu, Mr Nkomo's leadership is suspect.

Mr Nkomo enjoys a well deserved reputation as a tough, no-nonsense party president, leading with a mixture of benevolence and ruthlessness, controlling the party purse strings and well-served by his intelligence staff.

If a rebel group in his party has been able to operate secretly under his nose, party members will surely wonder whether the "Mdala"—the old man—of Zimbabwe politics is losing his touch.

Mr Mugabe is also in a difficult position. Even if responsibility for the caches cannot be laid at Mr Nkomo's door, the Prime Minister may feel he now has sufficient grounds to purge the Cabinet of its Zapu members—as many of his supporters are demanding—or reduce their numbers and responsibility, in addition to the liquidation of 11 Zapu companies.

For Mr Nkomo, who has long been chafing over his demotion last year (from Minister of Home Affairs to Minister without Portfolio), it could prove the last straw.

Mr Nkomo might well be tempted to pull out of the coalition and formally declare Zapu an opposition party, fastening, for example, on the slow progress in the resettlement of former white-owned land by peasant farmers—a highly sensitive issue, calculated to raise the temperature of national debate.

Unless Mr Mugabe breaks the terms of the Lancaster House constitution—which rules out a legal one-party state for seven years—he would have to live with the prospect of an angry Mr Nkomo on the political rampage.

Alternatively, Mr Mugabe could take the drastic action implied in his bitter weekend attack on the Zapu leader: "The only way to deal effectively with a snake is to strike and destroy its head. That may be easier said than done.

Malaysian tin price offensive takes step forward

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA TAKES its new policies of confrontation over commodity prices a step forward today, when Datuk Musa Hitam, the country's deputy Prime Minister, flies to Jakarta to try to convince the Indonesians to join it in reducing tin output.

He will go on to Bangkok later as part of a tour to encourage Malaysia's other partners in the Association of South-East Asian Nations (Asean) to form a producers' group. Their plan will then be presented to other key tin-producing nations, such as Bolivia and Australia.

This attitude contrasts sharply with Malaysia's policy at the end of the 1970s of promoting co-operation between producer and consumer nations.

For example, in August 1977, Datuk Musa, at that time Malaysian Primary Industries Minister, led an Asean team to Japan to try to persuade Tokyo to co-operate in a commodity price stabilisation programme. Kuala Lumpur wanted to establish an arrangement similar to the Lomé Convention between the EEC and African countries, but the Japanese politely rejected the proposal.

The importance of this shift in policy lies in Malaysia's position as the world's leading exporter of rubber, tin, palm oil, tropical hardwoods, and a substantial exporter of natural gas.

Malaysia's slide into price confrontation has been hesitant—the Government is preoccupied with the country's potentially explosive racial problems. The Chinese-Malay mix is particularly vulnerable to the boom and bust cycles which characterise commodity based economies.

During booms, everyone gains. However, the biggest winners are the traders and urban class, who are able to mobilise the millions of dollars flowing into the system. But in a depression, it is the poor farmers, most of them Malays, who are hit the worst, as they have little to fall back on.

For this reason, Malaysia is prepared—even at this late stage—to moderate its stance, if only consumer nations show greater appreciation of commodity producers' problems.

Datuk Musa has had vivid personal experience of such problems. In November 1974 a few weeks after being made Primary Industries Minister, he was nearly beaten up by angry farmers who rioted in Baling in Kedah state, because the rubber price had fallen to a 30-year low.

The prolonged global recession and President Ronald Reagan's new economic philosophy has cast a big shadow over the future of international commodity agreements. These pacts are favoured by Malaysia, as they provide a safety net against prices plunging to levels which could provoke farmers to riot again.

Malaysia blames the present U.S. Administration for much of the tension between commodity producers and consumers.

The Asean countries find themselves in a dilemma. They are political allies of the U.S., yet are increasingly at odds with Washington over commodities, which are their economic lifelines.

As the price war escalates between the tin producing and consuming nations, there is a strong likelihood that the Sixth International Tin Agreement will not come into operation in July.

In such an event, the formation of "Tinpec"—the so-called grouping of tin producing countries—would be inevitable.

But the issues also extend other commodities. Agricultural exports such as rubber, palm oil, coconuts and timber are far more important to Asean countries than tin in terms of employment and foreign exchange.

The Asean countries, in particular Malaysia, can only be thankful for the existence of the International Natural Rubber Organisation, the safety net which is mopping up excess rubber in an over supplied market.

Asean agricultural exports, on the other hand, are more vulnerable. The U.S. is still the biggest market for these exports, which are allowed duty-free access. This is a lever which Washington may well use.

The Asean countries know they are treading on delicate ground. But they are still determined to get a bigger voice in influencing output and marketing of their vital exports.

Energy Review: India's oil and gas

By R. C. Murthy in Bombay

A long haul to self-sufficiency

A STRING of oil and gas discoveries in India's offshore areas has heightened excitement about the prospects of self-sufficiency. But it is far out of proportion to the modest size of the finds.

India's oilmen have found hydrocarbons in three different locations in six months. The Oil and Natural Gas Commission (ONGC), one of the two government-owned organisations engaged in oil exploration and production (the other is Oil India), struck oil three months back in Palk Bay at the south-eastern fringe bordering Sri Lanka. The area was explored earlier by Asamera, a Canadian company, which had drilled a well to the south - west of Rameswaram, a Hindu temple town, and found no oil.

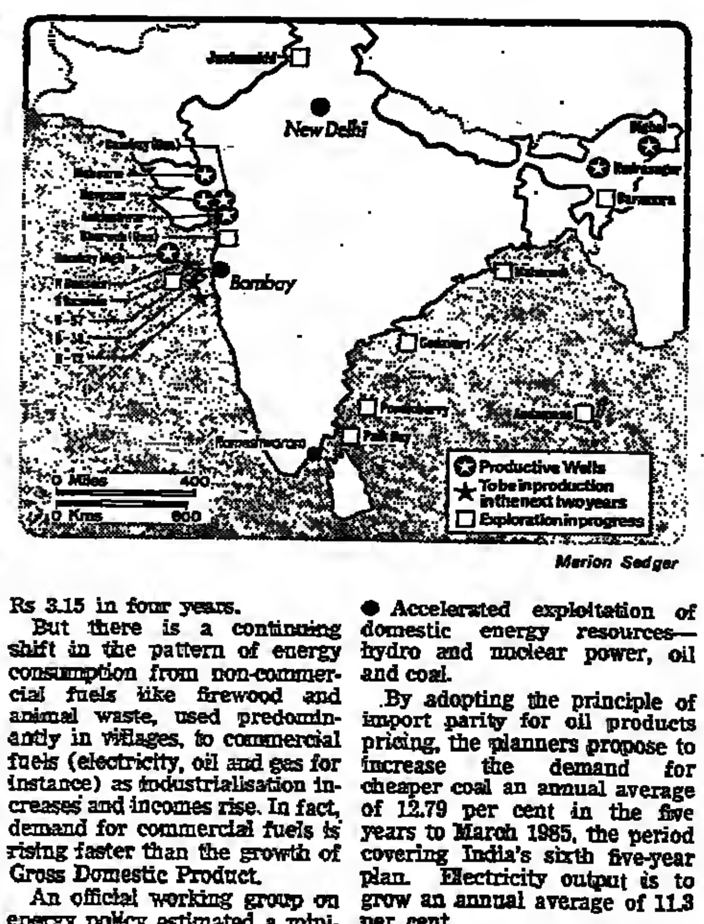
The country is facing something of an oil crunch. India imported more than 24.5m tonnes of crude and oil products in the year to March 1981, at a cost of Rs 60bn (about £3.5bn), absorbing 75 per cent of export earnings. That was an extraordinary year because oil production in north-east India was disrupted by strikes. But oil imports continue to be high: imports in 1981-82 are projected at 19m tonnes (54 per cent of total requirements). Unless domestic production is lifted and imports slashed, the Indian economy faces the danger of collapse. The Indian Government has realised the seriousness of the problem and has redoubled exploration and production efforts. Every oil strike, irrespective of size and potential, brings cheer to Indians.

ONGC struck oil north-east of Rameswaram. It was the first time that oil had been found in upper cretaceous formation in India, although it is nothing unusual the world over. The well was drilled in only nine metres of water by a floating drill barge, unlike the deepsea wells in offshore Godavari, about 600km north of the Palk Bay Field. The rate of flow is 1,500 barrels a day at a well depth of 2,000 metres. The oil is sulphur-free and light. A second well, spudded in the 40-sq km structure early in January, has also yielded oil but at a greater depth than the first one. Another half a dozen wells are to be drilled to determine the commercial viability of the Palk Bay Field. There are two more such structures in the vicinity.

On the west coast, "Sagar Samat," ONGC's first and lucky self-propelled jack-up rig, struck oil in a new 30 sq km structure named B-57. B-57 is midway between the west coast and Bombay High, now the main domestic source of oil 160 km off Bombay. The rate of flow rose from 1,030 b/d to 4,400 b/d within a month of discovery. Onshore, ONGC found gas at Bharuch in coastal Gujerat in western India. The commercial value of these structures is yet to be established.

A change is seen in the ONGC exploration strategy, the emphasis is shifting to deltaic regions from mere anticlines and to relatively older rocks from younger rocks. The gamble appears to be paying off; oil has been found in the Godavari and Cauvery (Palk Bay) deltas. These oil strikes have coincided with the entry of Colonel S. P. Wahi, as ONGC chairman, who aims at India achieving self-sufficiency in oil. "With an element of luck we will find all the oil we need," says Col Wahi.

Demand for petroleum products, which account for 50 per cent of India's total energy needs, is projected to grow 10 per cent a year from 620,000 b/d in 1980-81. This is an over-optimistic forecast as growth in petroleum products consumption has been depressed at an annual average 6 per cent in the past three years. The price of gasoline has almost doubled to Rs 6.15 per litre from Rs 3.15 in four years.



Marion Sedger

But there is a continuing shift in the pattern of energy consumption from non-commercial fuels like firewood and animal waste, used predominantly in villages, to commercial fuels (electricity, oil and gas for instance) as industrialisation increases and incomes rise. In fact, demand for commercial fuels is rising faster than the growth of Gross Domestic Product.

An official working group on energy policy estimated a minimum three-fold increase in oil requirements to 1.86m b/d in AD 2000. The Government has adopted a four-pronged strategy to reduce the dependence on imported oil and meet the growing demand for commercial energy.

- Demand management for petroleum products to maximise the use of indigenous resources.
- Energy conservation.
- Exploitation of renewable resources of energy such as forestry and biogas, especially to meet the energy requirements of rural communities.
- Accelerated exploitation of domestic energy resources—hydro and nuclear power, oil and coal.

By adopting the principle of import parity for oil products pricing, the planners propose to increase the demand for cheaper coal an annual average of 12.79 per cent in the five years to March 1985, the period covering India's sixth five-year plan. Electricity output is to grow an annual average of 11.3 per cent.

India's difficulties over oil have arisen for two reasons. First is the neglect of oil exploration until a decade ago. Secondly, India's priorities have differed over the past decade. National resources were committed to achieving self-reliance in oil refining and marketing: for decades public sector refining capacity and the marketing network were expanded at the expense of foreign oil companies operating in India. In frustration, Burmah, Shell, Esso and Caltex sold their assets for the Government rather than see them stagnate.

India hitched its bandwagon to the Soviet Union for oil exploration and by 1973, the Ankleshwar and Alibet fields in Gujerat and oilfields in north-eastern state of Assam owned by Oil India together produced 80,400 b/d of crude. There was no progress in offshore exploration because the USSR did not have deep-sea drilling technology. But the first major world oil price hike of late 1973 gave an impetus to offshore exploration. ONGC spudded the first well in the continental shelf in early 1974 and developed the structure rapidly with the help of CFP of France, yielding 40,000 b/d of oil in two years, a record comparing favourably with the Ninian Field in the North Sea.

But India is again in a desperate situation after the 1980 world oil price rise. The trade gap soared to Rs 52bn in the year to March 1981 and a similar amount is projected for 1981-82. India has the challenge of bridging the trade gap in three years by ushering in structural changes in the Indian economy—a condition stipulated by the International Monetary Fund for sanctioning a $5.8bn loan.

India has formulated a crash plan to raise oil production, onshore and offshore, to 38m tonnes of oil and oil equivalent in gas in the year to March 1985. CFP is to help ONGC to increase oil production from Bombay High and its satellite fields of North Basseln B-37, B-38 and R-12 from 12m tonnes to 20m tonnes in three years, besides producing 2.25m tonnes of associated gas and 3m tonnes of free gas. The Russians are to assist ONGC to revive 200 onshore wells in Gujerat to raise oil production from 3m tonnes to 4.5m tonnes. Assam fields are to yield 7m tonnes a year. Oil India is expanding production in Assam and stepping up exploration in the north-east and the Mahanadi Delta.

But the accelerated production programme will solve India's energy problem only in the short run. The medium term solution is to find new domestic sources of oil and, in the long run, achieve substitution of oil with other energy sources.

Clearly, the Indian Government is torn between the objective of self-reliance in oil and the need to increase production. It has made some compromises. Chevron, a subsidiary of Standard Oil of California, is, after two years of protected negotiations, to be allotted a block in the continental shelf off the Gujerat coast, known as Saurashtra II. It will be the first multinational to come on the Indian oil scene since Asamera, Reading and Bates and Nort-romers Carlsberg pulled out of the country after a fruitless search for oil in 1978.

A number of oil companies are eager to come in but they are debating if it is worthwhile to sink money in new exploratory wells in the remaining 31 offshore and onshore blocks offered by the Government given the stiff conditions for production-sharing. The crux of negotiations is the criteria for determining the "fair market price" of oil produced from the new fields and the element of profit the Government is prepared to concede to cover exploration risks.

The Government intends to float a fresh round of tenders. But oil companies are sceptical of the response. The terms offered, says a representative of one oil company, were not even second rate. All reasonably potential areas were reserved for ONGC and it was trying to take on more than it can chew. "It is a dog in the manger policy."


SCANDINAVIAN
RWAYS
"OK. Who's blabbed about SAS's new EuroClass?"

AMERICAN NEWS

Reagan moves to prevent fresh rift with Israelis

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration yesterday moved swiftly to head off a new rift with Israel and denied that it had any plans to sell sophisticated weapons to Jordan.

President Ronald Reagan was reported to have drafted a personal letter to Mr Menahem Begin, the Israeli Prime Minister, reaffirming U.S. support for Israel, despite occasional Washington criticism of Israeli actions.

The U.S. moves were in response to anger in Israel over suggestions, attributed to Mr Caspar Weinberger, the Defence Secretary, and his senior aides, that the Administration would favour selling F-16 fighters and mobile Hawk anti-aircraft missiles to Jordan—disrupting, in Mr Begin's view, the military balance in the Middle East.

Mr Weinberger yesterday said that although he had discussed arms sales during his visit to Amman last week, the whole question was premature. "There is no request pending," he said.

The White House said Washington was determined to maintain Israel's margin of military superiority—as Mr Reagan has pledged—and that this would be a factor in meeting any request from Jordan. There was "no proposal or plan" to sell weapons to Jordan, the White House said.

Mr Weinberger also went out of his way to discount reports that he had had a major disagreement with Mr Alexander Haig, the Secretary of State, on the Jordan arms controversy and other issues. He admitted that the two men had occasional differences, but said that they toed a common line once Administration policy was decided.

"I have no feud with Al Haig. I have the greatest admiration for him," Mr Weinberger said. A similar effort to defuse tensions between the State and Defence Departments was made by Mr Haig on Monday.

Mr Weinberger added that he agreed with Mr Haig that the U.S. must do "whatever is necessary" to prevent the overthrow of the U.S.-backed Duarte Government in El Salvador.

"We do have to make sure that we don't allow on the mainland of the U.S. a bastion of Communism—a foothold," he said.

The White House said that Mr Reagan would probably announce his long-awaited plan for aid, trade and investment support to friendly countries in the Caribbean Basin some time next week. He is to give a separate Press conference tomorrow afternoon.

Lane Kirkland: doubts on military spending

U.S. unions question military spending

By Our U.S. Editor in Washington

TRADE UNIONS in the U.S., traditionally strong supporters of job-creating defence spending, are beginning to question President Ronald Reagan's plans for a massive military build-up at the expense of social programmes.

At its annual mid-winter meeting in Bal Harbour, Florida, the AFL-CIO, the country's main labour federation set up a special committee to take a searching look at Mr Reagan's proposal for a $33bn (£18bn) increase in military spending in fiscal year 1983, which "may be too much" according to Mr Lane Kirkland, the federation's president.

The federation's executive council urged Congress to finance "any increases found necessary" through a progressive surtax on companies and individuals rather than put the burden squarely on the backs of working Americans and the poor." The alternative budget proposed by the AFL-CIO would leave social programme untouched.

Support for strong defence had been one of the few areas of agreement between the AFL-CIO and the Reagan Administration. The federation's policy shift is another indication of the difficulty Mr Reagan is likely to face in pushing his 1983 budget through Congress in anything like its present form.

The federation also called for a $23bn job-creating programme which would be partially financed by increased income tax receipts as the unemployed returned to work, and partly by limiting Mr Reagan's planned income tax cuts for 1982 and 1983 to a maximum of $700 per family.

Brazil party merger criticised

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S military-led government reacted quickly yesterday to a merger of two of the country's main political parties, the middle of the road Partido Popular (PP), the third largest in the country, and the main opposition group, the Partido do Movimento Democratico Brazileiro (PMDB).

The merger took place at a joint convention in Brasilia over the weekend, despite continuing opposition from within the PP's own ranks. The PP was only two years old.

A spokesman for President Joao Figueiredo was yesterday quoted as describing the merger as a "stumbling block" in the "abertura" programme of political liberalisation, and as a backward step.

Gen Figueiredo's inner circle of aides are reported to be particularly irritated by the convention's choice of a radical left-winger, Sr Francisco Pinto, for the post of secretary general of the party.

The newly enlarged PMDB holds more than 170 seats in the 420-strong chamber of deputies, the lower house of the Federal Congress, against 219 seats held by the ruling Partido Democratico Social (PDS), the military's vehicle in the political arena.

The convention elected a new 70-man directorate, awarding the main posts in the leadership to incumbent PMDB stalwarts. Sr Ulysses Guimaraes continues as party leader, with Sr Tancredo Neves, the PP leader, in the honorary position of first vice-president.

The merger still faces legal challenges from the Government and from dissident PP members, who are unhappy with the disappearance of the only party claiming to represent the liberal, middle ground of Brazilian politics.

A high level source in the presidency was quoted in yesterday's Jornal do Brasil as warning that the merger would only be legitimised when the Supreme Electoral Tribunal had pronounced on the subject.

If the merger overcomes all hurdles, the PMDB, with its strong left wing, could pose a considerable challenge to the Government, especially in the important gubernatorial elections.

PDS analysts admit that the opposition could easily win six states, including Rio de Janeiro and Sao Paulo, while the PMDB itself has high hopes in at least 13.

The disappearance of the PP, which at one time hoped privately to be invited to take a part in government after next November's general elections, has prompted regret in the press as well as comment that the merger may not survive beyond the election.

Meanwhile, the Government has confirmed publicly that it is actively studying ways of ensuring the survival of the remaining small political parties, three of which have a foothold in the Chamber of Deputies.

Salvador army claims 400 guerrillas killed

AT LEAST 400 left-wing guerrillas were killed in a five-day military sweep in south-eastern El Salvador without any government casualties, a military official said, AP reports from San Salvador.

Between 150 and 200 guerrillas were said to have escaped the army operation in Usulutan province, 105 miles from San Salvador. Seven guerrilla camps with a large quantity of arms and medicine were located and destroyed. Two soldiers suffered slight wounds during the sweep.

The army plans to encourage rural residents who had left the area in recent months in fear of civil strife to return and resume their daily lives.

A second army operation in Morazan province was said to be a routine search and clean-up mission. It was not clear whether it was continuing.

Earlier, a rebel radio station said the army had not been as successful in its operations as it claimed.

Recession deepens in Argentine car industry

BY JIMMY BURNS IN BUENOS AIRES

THE DEEP RECESSION in Argentina's automotive industry was underlined this week by statistics showing the worst January production figures for 16 years.

According to the lastest monthly report from Adefa, the association of automobile manufacturers, the major motor companies—Ford Argentina, Renault Argentina, Volkswagen Argentina, the Peugeot-Fiat joint company, Sevel, Mercedes Benz, and Saab-Scania—produced a total of 9,986 vehicles.

This represents a 30.3 per cent drop compared with December last year, and a 59.9 per cent decline compared with production in January 1981.

Total vehicle sales last month fell by 30 per cent, reversing an upward trend experienced in the sector since September last year.

The underlying problem for all motor manufacturers in Argentina during the recession has been continuing high interest rates. These have affected both the financing of new vehicles purchases and the costs of holding stocks.

The sector's monetary recovery in the last quarter of 1981—vehicle sales in October increased by 45 per cent—largely reflected the impact of a 7 per cent reduction in motor tax.

The measure was applied by the then Economy Minister, Sr Lorenzo Sigaut, under pressure from the major manufacturers, led by Ford.

At the end of last year, however, the motor tax was raised to its previous levels by the incoming Government of President Leopoldo Galtieri, and the selling price of cars and commercial vehicles have again increased.

Sr Roberto Alemann, the present Economy Minister, has made non-interventionism one of the main points of his programme, but the Government is liable to come under increasing demands from employers and unions to reach a new agreement with the sector.

Delayed talks over Falklands to go ahead

By Stephanie Gray

DELAYED TALKS between Britain and Argentina over the future of the potentially oil-rich Falkland Islands, the disputed British colony, are to go ahead in New York on February 25 and 26, the Foreign Office announced yesterday.

Fresh negotiations were due to take place in Geneva late last year but were postponed at Argentina's request because of the Government reshuffle that followed the removal of General Roberto Viola, the President.

William Chislett, in Mexico City, predicts conflict on economic reform

Mexico faces fresh union battle

MEXICO'S GOVERNMENT faces a renewed battle with the country's trade unions over major economic and social reforms.

Ostensibly, the struggle is over reforms in wages and conditions, which have been under debate in Congress for years. However, the tussle is also bound up with the trade union movement's position within the ruling Institutional Revolutionary Party (PRI) and the party's attitude to the fragmented left-wing parties in the run-up to next July's presidential and general elections.

The trade union movement is broadly allied to the PRI, which has ruled Mexico for the past 52 years, although the signs are that the union wing is becoming increasingly discontented with the rest of the party. This is in spite of the PRI's long-standing claim to be a classless party, ruling by consent, and representing all national interests.

The union sector of the party, representing 91 of its 300 deputies, is trying to persuade Congress to legislate on a series of key reforms in an attempt to make their image more radical before the elections.

The reforms sought are:

- A 40-hour week to replace the present 48-hour week.
- Unemployment benefits.
- A price-indexed wages system.
- Cheaper housing to be provided by employers.
- Union rights for bank employees.
- An end to government intervention in strikes at state run companies.

Even though many of these reforms, like the 40-hour week, were introduced into Congress seven years ago by the PRI, they have been constantly stalled. If they were passed, they would transform the structure of labour relations and greatly enhance the union movement's position in the PRI.

It is the movement's attempt to unfreeze some of this legislation which has brought the struggle to a head.

Sr Luis Farias, leader of the Congress, blocked the movement's latest bid to get the legislation moving by walking out of the chamber, taking so many deputies with him that the union movement was left without a quorum to start a debate.

This led to a sharp exchange between Sr Farias and Sr Fidel Velazquez, the octogenarian union leader, who has run the Confederation of Mexican Workers (CTM) — the main union grouping—for 37 years.

Sr Velazquez, who is often referred to as the second most powerful man in Mexico after the president, called Sr Farias' tactic a "dirty trick." The incident left the impression that Sr Velazquez has started manoeuvering for position in readiness for the elections. He is known to be unhappy with the PRI's presidential nomination, Sr Miguel de la Madrid, a conservative technocrat and former planning minister.

The price Sr Velazquez may exact from the PRI for supporting its presidential candidate might be concessions on the reforms. Many observers feel that the union wing of the PRI, whose deputies represent 5m unionised workers, or about 27 per cent of the workforce, must be seen to be more in sympathy with the poor if it is to avoid losing votes.

Moreover, the Mexican left, which will take part in the 1982 election for the first time, is becoming increasingly outspoken, albeit fragmented.

Critics often refer to the PRI union leaders as "charros"—sell-outs—who are more ready to do the bidding of big business than that of the workers.

The United Socialist Party of Mexico (PSUM), the left-wing party formed around the recently disbanded Communist Party, has been quick to capitalise on the failure of the PRI union leaders to get the reforms moving. The PSUM has been taking full page advertisements in Mexican newspapers to present its own demands for greater reforms.

It wants the abolition of the Government's right to register trade unions, and also wants to limit the Government's power to decide on the legality of strikes. This would greatly benefit the left by reducing the Government's control over non-PRI trade unions.

Such control can be judged from the fact that out of 6,300 calls for strikes in the first 10 months of 1981, only 126 strikes actually took place.

Sr Arnoldo Martinez Verdugo, the former Communist leader and the PSUM's presidential candidate has used the reforms issue to demonstrate what he calls the PRI's "contradictions," which he claims will cause a "very profound crisis" within it.

Miguel de la Madrid: Union chief is unhappy with his nomination as President

Left-wing parties only control university and airport unions, although they have also made inroads into the mining, telephone and electricity sectors.

They are hoping that the conflict of interests in the PRI will become sharp enough for them to siphon off the labour and peasant votes. Whether this will happen depends to some extent on how the Government tackles the reforms argument.

WORLD TRADE NEWS

TRADE FINANCING WORTH $850m ARRANGED

Papua New Guinea mining boost

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

TRADE FINANCING worth $850m (£462.6m) has been arranged to buy goods and services for the development of Ok Tedi Mining's copper and gold deposit at Mount Fubilan in the west of Papua New Guinea, close to the border with Indonesia.

The financing will enable Ok Tedi Mining to undertake the first stage of exploitation of the deposit by 1984. It is one of the world's largest greenfield mining developments.

Lloyds Bank International announced yesterday it had arranged a $100m export credit, supported by the Export Credits Guarantee Department, thus opening the way to the placing of orders with UK equipment suppliers.

This export credit is one of four, the agreements for which are being signed this week. The others are:

- $242m from the Export Finance and Insurance Corporation of Australia; this roughly doubles the Corporation's lending portfolio;
- $88m from the Export Development Corporation in Canada;
- $50m from Austria backed by Osterreichische Kontrollbank.

The four export credits, totalling $480m, are broadly identical in their conditions. They have been signed just in time to take advantage of the minimum international export credit rates which prevailed to last November.

Given that Papua New Guinea is a relatively poor country, this suggests a common interest rate of 7.75 per cent, with a repayment period of 10 years from the commissioning of the first stage of the Ok Tedi mine.

The remaining $370m of financing comes from four sources. The first is $70m of shareholders funds. Ok Tedi Mining is owned by BHP Minerals of Australia with 30 per cent; Amoco Minerals, a Standard Oil (Indiana) unit, with 30 per cent; the Papua New Guinea Government with 20 per cent and a West German consortium, embracing Metallgesellschaft, Degussa and Entwicklungsgesellschaft, with the remaining 20 per cent.

Second, Kreditanstalt fur Wiederaufbau, the West German agency which provides fixed rate financing, is providing $100m at a rate slightly higher than the export credits.

Third, Overseas Private Investment Corporation is lending $50m from the U.S.

Fourth, Citicorp International is leading a syndicate of banks in providing $150m of flexible rate finance with options on the currency used.

With the financing in place, the prime contractor at Mount Fubilan, the joint venture company of Bechtel Pacific and Morrison Knudsen International, which are both of U.S. origin, is poised to place major equipment orders. Orders in the UK will be placed through Bechtel Great Britain.

Some orders have come through. Balfour Beatty Power Construction has a £1.3m contract for removable bridges to be used in the construction of access roads and J. C. Bamford Excavators is to provide loaders. Caterpillar Tractors and Terex, the General Motors Scottish unit, are negotiating truck sales.

Doubts cast on oil and gas project

BY RICHARD C. HANSON IN TOKYO

U.S. SANCTIONS against the Soviet Union have cast doubts on the future of Japan's long-standing Sakhalin oil and gas exploration project.

The project, being conducted in the waters of the Siberian island of the same name, depends on continued supplies of equipment and technology which only U.S. companies are in a position to supply.

At least some of the items in question are included on the list of goods which can no longer be supplied to the Soviet Union under the terms of President Reagan's sanctions programme.

The U.S. specifically exempted the Sakhalin project from its 1980 sanctions against Afghanistan on the grounds it had an ongoing commitment to support the project. This time Washington has apparently made no specific reference to the project but has merely stated that prior commitments will be honoured, with certain major exceptions.

The exceptions are understood to include oil and gas equipment which was not either ordered or about to be shipped at the time of President Reagan's sanctions announcement.

The project is being undertaken by a specially formed entity, the Sakhalin Oil Development Corporation whose members include Gulf Oil, a number of Japanese oil companies and the semi-governmental Japan Petroleum Development Corporation, the biggest shareholder. The Soviet Union is not a partner in the corporation but remains the owner of any oil or gas that may be found.

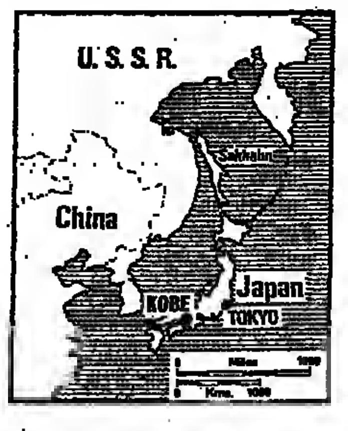
Japan has already invested an estimated $170m in the exploration project, which is expected to produce results by about 1988. Under terms of the contract with the Soviet Union, the Japanese will receive LNG and oil produced at the site.

But Japan risks losing its stake if operations are forced to be suspended by a lack of equipment.

The Japanese Government argues that the U.S. should continue to provide the equipment because, unlike the Siberia-West Europe pipeline project, the equipment is not actually sold to the Soviet Union but remains in the hands of the exploration company.

There have been reports that the area may produce a considerable amount of oil and gas. But Sakhalin Development officials declined to comment on just how far the exploration has progressed.

Meanwhile, the Japanese Government has already prepared, but not announced, its own "menu" of sanctions against the Soviet Union, whom it holds responsible for the



Polish crisis.

The steps will include curtailing technology exchanges, and certain dampers on trade with the Russians, in addition to the still-existing sanctions imposed by Japan after the Soviet invasion of Afghanistan more than two years ago.

The Government also plans curbs on the movement of Polish diplomats in Japan and restraints on new official credits to Poland.

The Government appears much more cautious about adopting sanctions this time, compared with its tough stance, in line with the U.S., after Afghanistan, mainly because of actions taken in Europe the last time at Japan's expense.

Specifically, France "won" a specially steel plant from the Russians after a Japanese company was forced to back down because of U.S. refusal to allow the American partner to provide the needed technology.

Japan feels, however, that the anti-Soviet sanctions have had a positive influence on the Soviet Union.

Japanese mission for Europe

By Our Tokyo Staff

JAPAN IS preparing to send a mission of businessmen to France and Austria, probably in May, to help smooth strained bilateral trade relations.

The Ministry of International Trade and Industry (Miti) will sponsor the group, to be headed by Mr Yoshizo Ikeda, chairman of Mitsui, Japan's second largest trading house.

The timing of the mission is linked to the first state visit of a French President by invitation of the Japanese Government. M Francois Mitterrand arrives in Tokyo in April, when the two governments are to officially agree on the mission.

France, which has become the most strident among the members of the European Community in its criticism of Japan, has requested that Japan should dispatch a mission.

It will be the second such mission to France, following one in 1977. It will be the first such economic mission to Austria.

- Agencies add: Mr Shintaro Abe, International Trade and Industry Minister, yesterday indicated that Japan is prepared to discuss its trade dispute with the EEC under the aegis of the Geneva-based General Agreement on Tariffs and Trade (Gatt).

Toyota and Nissan car sales show sharp fall

TOKYO—Both exports and domestic sales by Japan's two largest car makers, Toyota and Nissan fell substantially in January because of a slow recovery in the home market and restrictions on exports to the U.S. and Europe, it was announced yesterday.

Overall exports by Toyota, the largest car maker, went down by 9.6 per cent from a year before to 133,313 units.

Exports of pasesnger cars and trucks to the U.S. showed a 9.9 per cent drop. U.S. shipments of passenger cars alone declined by 16.7 per cent.

Toyota's vehicle exports to the European Community fell by 30.3 per cent, while shipments of cars went down 25.5 per cent.

Nissan reported similar results. Its exports fell by 12.9 per cent to 113,083 units in the latest month.

Overall shipments to the U.S. fell by 10.4 per cent from last January, while those of passenger cars alone showed a 14.9 per cent fall.

Nissan was in better shape than Toyota in exports to Europe, though they also showed a decline. Overall EEC shipments slipped 4 per cent and passenger car shipments alone dropped 5.7 per cent.

Officials of the two companies traced the declines to Japan's self-imposed controls on exports to the U.S., Canada and some West European countries as well as economic stagnation in Europe.

Toyota said exports to Central and South America fell sharply from the year-earlier levels but those to the Middle East, which began showing signs of recovery towards the end of last year, were providing a measure of support.

In January, a Nissan spokesman said exports to the Netherlands and Danmark were especially poor because of economic difficulties in those countries.

As in recent months, the two companies said, the Yen's appreciation against major European currencies played a part in slowing down shipments to Europe.

UK exporters strengthen position

BY OUR WORLD TRADE EDITOR

UK EXPORTERS are strengthening their position in the race for international projects business. The latest figures on the value of buyer credits, supported by the Export Credits Guarantee Department, provide statistical backing for anecdotal evidence.

The value of buyer credits, the main financing vehicle for project business, was higher between April and November 1981 than for the whole of the 1980-81 financial year, Mr Kenneth Baker, the Minister for Information Technology, said yesterday.

Speaking at an Institute of Directors conference on project business in London, Mr Baker said that £3.6bn worth of buyer credits were signed in that eight-month period last year. This compares with £2.25bn in 1980-81 and £1.875bn in 1979-80.

Although the flow of project business is notoriously uneven, banks engaged in trade financing have noticed especially over the last year an increased number of contracts won in the £50m-£150m range. The trend has been evident in markets like Nigeria.

Mr Baker noted that ECGD guarantees and buyer credits at preferential rates of interest had helped to maintain exporters' competitiveness and liquidity.

The Government subsidises the difference between the preferential rates of interest and the market cost of funds to supply the buyer credits.

But, apparently taking a cue from the close inter-relationship of banks and industry in Japan and West Germany, Mr Baker urged the banks to explore "the great profit-earning possibilities" of financing overseas projects independently.

He also sought to induce companies and their shareholders to take a view of commercial benefits that goes beyond yearly dividend payments — again an apparent reference to the ability of Japanese companies to nurse a market.

"Are shareholders prepared to shoulder risk, or to forego dividends for the sake of longer-term benefit in the same way as our competitors?" he asked.

Wimpey wins $26.9m road link contract

By Rick Wells in Khartoum

GEORGE WIMPEY of the UK has won a $26.9m (£14.1m) contract for preliminary work on the construction of the 376 km all-weather road link between Juba, capital of Sudan's Southern Region, and Kakuma in northern Kenya.

The project is jointly financed by the EEC's regional fund, which is providing ECU 10m ($10.1m), $10m in direct U.S. aid and just over $3m being provided each by the Sudan and Kenya Governments.

The main works contract is to improve drainage structures which involve construction of 11 bridges and 49 box culverts, as well as the upgrading of 56 km of road.

The most direct route to Juba is through Uganda, but political instability in that country necessitated development of an alternative overland route. While most of the road will be inside Sudan, the project will start from Kenya where Wimpey has a well-established operation.

Another important project in the southern region is the improvement of Juba airport, being undertaken by Compagnie de Constructions Internationales, which calls for construction of a 7,500-foot-long runway, capable of handling modern airlines, as well as airport buildings. The CCI deal is worth $28m.

CCI is contractor for the $93m Jonglei Canal project begun in 1978. It is hoped its labour and equipment force in Sudan will facilitate work on the airport project.

Contracts for airfield lighting, navigational aids and telecommunications and airport vehicles have not yet been awarded.

Brazil now top iron ore exporter

By Andrew Whitley in Rio de Janerio

BRAZIL TOOK over from Australia last year as the world's leading exporter of iron ore, confirming a trend of several years.

According to Companhia Vale do Rio Doce, the state iron ore company, in 1981 Brazil exported 81.9m tonnes of ore and pellets worth $1.72bn. Australia's sales were estimated at 75m tonnes.

CVRD maintained its dominant position in Brazilian and world terms, accounting for two-thirds of the country's iron ore sales.

Despite the recession in its major markets, the Brazilian state giant exceeded its own earlier sales forecast by 2.3m tonnes to reach 55.6m tonnes.

Semperit seeks Irish Government assistance

BY PAUL LENDVAI IN VIENNA

SEMPERIT, the Austrian tyre and rubber concern, has decided to ask the Irish Government for help to cope with the crisis at its subsidiary tyre plant in Dublin.

The plant, built in 1969, has been put on short-time working.

Dr Franz Leibenfrost, Semperit's director-general, said that the situation has become "more critical" because of lower orders, and that short-time working affecting the production staff of 800 may have to be extended.

The factory, with an annual capacity of 2.2m tyres, can survive, the chief executive hinted, only if the Irish Government were willing to grant to Semperit the same kind of import concessions made last year to Dunlop and Talbot.

Under that arrangement, import licences for fully-built-up vehicles made by Talbot were granted by the Irish authorities, and in exchange the company was buying 450,000 tyres per annum from Dunlop's subsidiary near Cork.

Semperit has now reached a similar understanding with Fiat, the Italian car producer. Thus, if the Irish Government was willing to grant import licences for a certain number of Fiat cars, the Italian company would, in turn, contract to buy about 450,000 tyres per annum from Semperit's tyre plant in Ireland.

The subsidiary plant in Ireland is part of the Semperit group, which has a production staff of 10,700 in Austria and throughout the world. The Board of Semperit would not release any figures about the losses incurred in Ireland.

Scottish & Newcastle in vodka deal with Greenall

BY GARETH GRIFFITHS

GREENALL WHITLEY, the UK's largest regional brewer, has set up a joint company with Scottish & Newcastle to promote Greenall's Vladivar vodka.

The non-trading company will be 75 per cent owned by Greenall, which last week bought the former Laker company, Arrowsmith Holidays, for £4m, and 25 per cent by Scottish & Newcastle.

The agreement, which will take effect from July, heralds closer links between the companies. Greenall has been involved in talks with several major brewers in an effort to replace its deal with Bass, which ended in October, 1980. Greenall that time lost potention sales outlets from Bass, which handled 150,000 cases of vodka a year. The Scottish & Newcastle deal is expected to involve about 130,000 cases a year.

Vladivar vodka is the second most popular brand in the buoyant vodka market. Its market share is between 15 per cent and 20 per cent. Greenall put Vladivar sales at between 400,0000 and 500,000 cases a year—almost all of them in the UK.

Vladivar will be sold as the in-house brand in Scottish & Newcastle's 1,000 tied public houses, the 220 Gough Brothers off licence stores and 42 Thistle Hotels.

More important for Greenall, Vladivar will benefit from Scottish & Newcastle's marketing operations in the free trade, which accounts for 80 per cent of the Edinburgh-based brewery's sales. Scotland is the strongest market in the UK for vodka, particularly in public houses.

Scottish & Newcastle previously bought its Cossack vodka from the Distillers Company, but was unhappy with Cossack's relative lack of success outside Scotland. Scottish & Newcastle hopes its Mackinlay whisky will become the in-house brand for Greenall's 1,800 public houses.

Scottish and Newcastle will bottle Vladivar at its plant in Leith and will spend substantially more on promotion than it has done on Cossack. The Distillers Company said it was disappointed by Scottish and Newcastle's decision, which ends 17 years of trading between the two companies.

Meanwhile, John Dewar and Sons, DCL subsidiary, yesterday announced a marketing agreement with Hedges and Butler, the wines and spirits subsidiary.

The deal should give Dewar access to the Bass marketing operations in the free trade and the 8,000 tied public houses. DCL has been keen to increase its share of the home market for whisky for some time. DCL's share is about 20 per cent.

The deal will take effect from April 1 and give Hedges and Butler sole distribution rights for Dewar's Scotch in the UK. Dewar sells the most popular brand of Scotch in the U.S. and exports about 85 per cent of its production.

The move is designed to push the company's home trade, which has been relatively weak since the DCL dispute with the European Commission over pricing in 1979. Dewar's sells between 3m and 4m cases a year.

Timber company rides high with recycled race track

BY RAYMOND SNODDY

A SMALL COMPANY in the Gloucestershire village of South Cerney has carved a £2.4m annual turnover out of wood residues that no one wanted.

The company Dormit Timber Industry, has Mr Tim Gilder and Mr Rod Whatton as joint managing directors. The two grew up together in the Northamptonshire village of Hartwell, Mr Whatton on a sawmill, aod Mr Gilder on the farm next door.

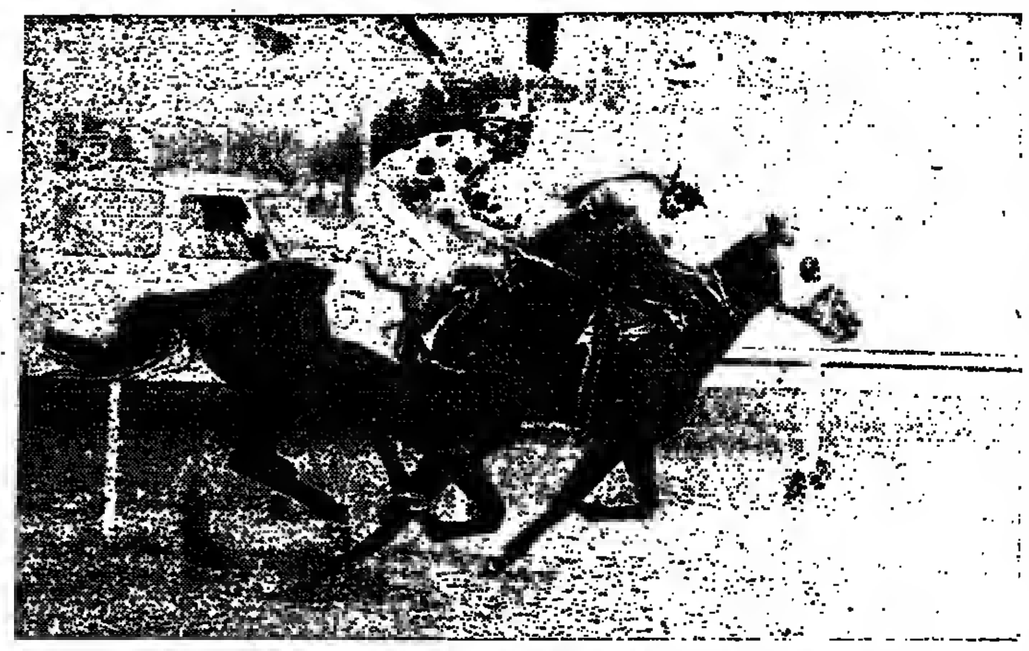
When they were 26 they gave up working for their parents to go round the sawmills of Southern England with a 15-ton mobile wood chipping machine which enabled them to sell to paper mills wood waste that had previously been burnt.

Now, ten years later, they are working on a range of recycled products including fuel pellets—and wood-based cat litters.

But Dormit's best known product is a wood fibre all-weather riding surface made from sawmill residues on a machine developed by the pair.

The Queens of Britaio and Holland own Dormit riding arenas as does the Spanish Riding School in Vienna. Sixty training gallops and 500 riding arenas in Britain have the surface, and two years ago the first competitive racecourse in the world using it was was opened at Schaesberg, southern Holland.

The Royal Hong Kong Jockey Club is putting in a second training track using the surface, and Mr Gilder is confident it will also build a racing track with it.



Racing on Dormit's wood fibre all-weather racetrack at Schaesberg, in Holland

Mr Gilder will go to Australia later this month to supervise the laying of a training track at Epsom, Melbournc for the Victoria Racing Club.

Dormit wood fibre was first used as bedding for horses and cattle. But Mr Ian Balding, one of the Queen's racing trainers, was looking for an all-weather gallop surface. Wood chips were tried and theo the fibre.

Dormit experimented with different sizes and textures until with the help of a patented hard core base, it produced a surface it says is firm, yielding and hard wearing.

At Schaesberg, Mr Gilder says, the weather has never stopped racing, there have been no accidents, and maintenance is cheap because there are no divots to replace.

Controversy has been growing in British racing circles over the days lost because of bad weather and the fact that Britain does not have an all-weather racing track.

"Our tracks have a high resistance to frost. Mixed with chemicals a training track at Newmarket was in use the day after a frost of minus 27 degrees Centigrade," Mr Gilder said.

Dormit says a 1,000-metre long, 25-metre wide track would cost about £750,000.

But the Jockey Club says its inspectors have not yet found an all-weather surface suitable for jumping—the form of racing held when the weather is most likely to be disruptive.

Mr Gilder, however, says: "We have had hurdling trials and I am absolutely convinced that our surface is suitable for steeplechasing."

When the track's top layer wears out Dormit starts recycling again. The used fibre—by now extremely rich in nitrogen—is bagged and sold to landscape gardeners. Dormit also sells chemically treated sawdust to Castrol for mopping up oil spills.

The pair have set up a company, British Fibre Fuel, to develop their fuel pellet idea. Wood fibre is to be used as the carrier for anthracite instead of bitumen.

Samples, they say, have the calorific equivalent of domestic coal but could be sold 15 to 20 per cent cheaper. Talks are being held with independent coal mine owners in Wales and a plant in South Wales is planned.

Mr Gilder and Mr Whatton say Dormit imports nothing. Last year it exported 3,000 tonnes of pulp wood to Scandinavian paper mills—worth more than £1m.

The company, which employs 30 people, also says it is the UK's biggest producer of pallet timbers.

Mr Gilder says Dormit, unlike many other sawmills, has the equipment to handle small domestically-produced logs. The sawmill side has been expanded and Dormit produces 60 per cent of the waste wood it needs for its products.

Dormit has nearly doubled its turnover in each of the past three years and aims to increase the present £2.4m to £25m in five years.

Poll shows support for 20% rise in rates

By Robin Pauley

NEARLY two-thirds of people questioned in Islington, one of Britain's highest-rated council areas, think rates should be raised at least 20 per cent in April.

This result comes in a Market and Opinion Research International survey for the Social Democrat-controlled council of the inner London borough.

It shows that the majority of those questioned would support higher rate rises than the council is likely to levy. A rise of between 15 per cent and 20 per cent is expected.

The survey also showed that 41 per cent are dissatisfied with the way the council is running the borough. Another 20 per cent are indifferent.

The clear implication is that Islington's ratepayers expect and approve of a big rates increase but do not think their money is being properly used.

There is also a strong feeling that the council is overmanned. Two-thirds said it should shed employees, and 45 per cent said it should consider sacking people as part of the reduction.

Only a quarter of those dissatisfied with the council thought rates were too high. Other criticisms, in order of importance, were dirty streets, poor respose to maintenance requests, bad housing conditions, inadequate public services and money wasted.

If cuts had to be made there was overwhelming support for reductions in spending on recreation and parks, followed by housing. Social services and employment were the crucial areas, with virtually no support from any sector of the community for cuts in employment services.

About half of Islington'a residents think council rents should be raised by less than the £2.50 recommended by the Government. Only 11 per cent of council tenants thought rents were too high.

About 41 per cent of owner occupiers favoured a rent rise of less than £2.50, even though this would increase rates.

Islington levied a rate of 143.7p in the pound in 1981-82, producing an average domestic rates bill of £424, against £348 in 1980-81.

The survey showed 68 per cent of the sample were dissatisfied with the way the Government was running the country. Only 16 per cent were satisfied.

Warning over level of council grants

BY ROBIN PAULEY

LOCAL COUNCILS planning their 1982-83 rate levels will have to take a substantial amount from ratepayers to put into balances because of the continuing uncertainty about their government grant for next year.

This is the view of Prof John Stewart, director of the Institute of Local Government at Birmingham University, and Mr Gerald Kaufman, Opposition environment spokesman.

The confusion arises over the Local Government Finance (No 2) Bill which is passing through Parliament. The Bill bans supplementary rates.

Under pressure from local councils and Opposition and backbench Conservative MPs, the Government abandoned its plan to have the right to intervene and penalise councils by extra withdrawal of grant after the start of the financial year. This would have been so even though the council would no longer have recourse to the ratepayers.

Mr Michael Heseltine, Environment Secretary, and Mr Tom King, Local Government Minister, promised the Commons committee considering the Bill that this power to take an extra opportunity to penalise individual aothorities would be removed.

Mr Kaufman told the Labour Party Local Government Conference at Sheffield: "The Secretary of State is conning Parliament and MPs of all parties who took him at his word." Instead of taking action against individual councils the Government appears to be able to act against groups of councils under a different technical aspect of local government finance.

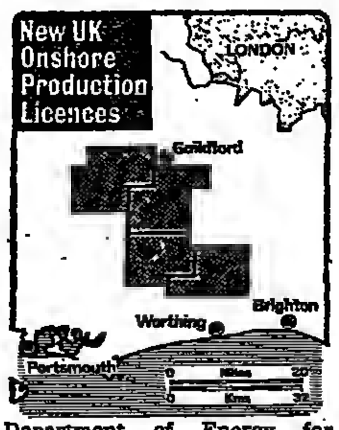
This is the result of council budgets entitling them to more grant in total than the cash-limited amount available. The "overclaim" is scaled down in percentage terms and then turned into rate poundage terms—so the councils with higher rateable resources lose more than their poorer counterparts. The new aspect is that this could be operated so e group of councils—such as the metropolitan counties — paid much more, or even all, of the overclaim.

Prof Stewart said the effect on a council losing a major portion of its grant through this mechanism would be the same as through the procedure which the Government has withdrawn. "The council can suffer extreme loss of grant after the budget has been set without the opportunity to raise a supplementary rate."

Four onshore production licences for Conoco

FOUR ONSHORE oil production licences were awarded to the U.S.-based Conoco yesterday by Mr Nigel Lawson, the Energy Secretary. All four are in the Home Counties.

The four blocks, which range from 196 to 248.5 square kilometres, are in Hampshire, Surrey and West Sussex. Conoco already holds exploration licences for the areas and has undertaken seismic survey work on them.



Onshore production licences give companies the right to start exploratioo drilling. Exploration licences permit only seismic studies. Companies which obtain production licences still need the permission of local landowners and of planning authorities before they can start drilling. If they make a commercial discovery they have to submit development plans to the Department of Energy for approval.

There are 58 onshore production licences in force in the UK. Last year overall oil productioo from onshore UK wells was 230,000 tonnes.

Bulk carrier order would not save Harland and Wolff jobs

BY OUR BELFAST CORRESPONDENT

THE CHAIRMAN of the state-owned Harland and Wolff shipyard in Belfast may indicate whether a vital bulk-carrier order from British Steel is imminent today, at an annual apprentice prize-giving ceremony. But even that good news will not be enough to stave off up to 1,000 redundancies, which will cut the labour force to less than 6,000 by the end of the year.

The Government has put £175m into the company since it was taken into full public ownership in 1975. In the ten years or so before that another £85m of public funds had been spent.

In 1980, when new work was looking increasingly difficult to find, the company managed, with Government help, to win orders for two 109,000 tonne oil tankers from BP. Work on the second of these will finish in the middle of next year.

In the 1950s up to 25,000 Ulster people—most of them from the Protestant heartlands of East Belfast—found work with Harland and Wolff. It was said then that the whole of Belfast depended on the shipyards' fortunes.

But it is only in recent years that shipyard workers have thought about the possibility of closures. The message from the Conservative Government, that taxpayers will not foot the bill for ever, has brought a sense of realism. Constant discussions between management and union heve led to improved productivity.

The company lost £32m in the year to December 31 1980. Although this was some £11m better than the 1979 result, it was little consolation to Ministers at the Northern Ireland Office.

The Government told Harland and Wolff in June last year it would provide £46m and allow external borrowing of £10.9m in the year to March 31 1982. Mr Adam Butler, the Minister of State responsible for industry in Northern Ireland, has recently baen told that the company's losses may exceed forecasts made more than a year ago.

Dr Vivian Wadsworth, the appointed chairman, is confident, however, that he can operate within the aid determined by the Government for this year and next. To do so, he has to cut jobs, reduce costs and scour the world for orders.

Mr Butler has told the unions he is supporting the company to the tune of £8,000 per employee a year, which is more than the per capita subvention to British Shipbuilders—an implied warning that such levels of assistance cannot last forever.

The spectre of thousands of shipyard workers joining dole queues may have been too much for previous administrations to contemplate. It would have added to Ulster's security problem by providing fodder for the Protestant paramilitary factions which operate in the Loyalist strongholds of East Belfast.

That danger may have considerably receded. In any event Mr James Prior, the Northern Ireland Secretary, and his colleagues are less likely to be swayed by the argument. Only shipbuilding orders can save shipyard jobs.

Rise of 13% in workers paid by transfer

By William Hall, Banking Correspondent

THE NUMBER of people whose wages are paid directly into a bank account increased 13 per cent to 6.1m last year.

Britain's 12 high street banks are confident they are having success in their campaign to encourage the 11m people still paid in cash to open a bank account.

The 12 banks set up a working party in January last year to promote the switch from weekly wage packets to payment through bank accounts. Britain lags behind most major industrialised countries in having a large part of its labour force still paid in cash.

The figures released yesterday by Mr John Cox, senior general manager of Midland Bank, and chairman of the working party, are the first indication of how fast the switch is happening.

Last year the number of people paid monthly through automated credit transfers rose 613,000, or 12 per cent, to 5.65m.

The number of people opting for weekly bank credit transfers is growing rapidly, rising 25 per cent to 469,000 last year.

Mr Cox also revealed that the number of current accounts held by the 12 high street banks increased 1.25m to 29.5m in 1981, a growth rate of 4.5 per cent.

Budget plea

INDUSTRIALISTS FROM the North-West will meet some of the region's Conservative MPs to press for concessions for industry in the March Budget.

Members of the local regional council of the Confederation of British Industry will urge action on the National Insurance surcharge, interest rates and energy prices and greater public sector investment. They are also seeking a 15 per cent cut in local authority rates on business.

Guernsey probe

FIRST NATIONAL BANK OF CHICAGO confirmed yesterday that it is investigating possible irregularities in the documentation of some loans made by its subsidiary in Guernsey.

The bank said it knew of this last year and "took appropriate action" which was reflected in its fourth-quarter earnings. The investigation is believed to centre on several million dollars' worth of loans secured on boats the borrower claimed to own. Guernsey police are investigating.

Manx credit

ANGLO-MANX BANK will launch its own credit card on the Isle of Man on March 1. It will be valid only on the island.

Ranger rig order by BNOC

BY SUE CAMERON

THE BRITISH National Oil Corporation said yesterday that it had ordered a semi-submersible drilling rig of the same design as the one that sank in the Atlantic with the loss of 84 lives on Monday.

The £80m order was placed with Scott Lithgow Clydeside yard of British Shipbuilders in November. Work on it has not begun. It is due to be delivered in 1984.

BNOC plans to use it in the UK sector of the North Sea to the west of Shetland. The corporation is operator on a number of blocks there.

BNOC said yesterday that it was awaiting the findings of an investigation into Monday's disaster.

If the Canadian authorities found that the accident was caused by design faults, then changes must clearly be made in later models.

The rig BNOC had ordered would not be allowed to leave the yard and nor would it be granted a safety certificate if it was known to have design faults.

The rig which sank off Newfoundland was the first of the Ocean Ranger designs. It was designed by Odeco of New Orleans, which owns the rights to the design and has a joint venture with Ben Line of Edinburgh called Ben Odeco.

This company has a 50 per cent stake in the new rig, to be called the Ben Ocean Ranger, that has been ordered by BNOC.

The Ocean Ranger that sank had 12 anchors and could drill in depths of up to 3,000 ft. It had no dynamic positioning equipment, a computerised system enabling rigs to stay on one spot.

The second of the Ocean Ranger design rigs, the Dyvi Delta, is operating in the Norwegian sector of the North Sea 100 miles north-west of Bergen.

It is owned by Dyvi Drilling of Norway, was delivered by its Finnish builders in June last year, and is on a five-year contract to Norwegian Statoil. It can drill in depths of up to 1,500 feet but also has no positioning.

The third of the Ocean Ranger designs, Ocean Ranger Two, is being built by Sumitomo of Japan. It is due for delivery to Odeco in December.

The rig ordered by BNOC will be able to drill in depths of up to 4,500 feet, but will have dynamic positioning and a conventional anchor system. It is expected to be the biggest of its type so far.

Monday's disaster may have been caused by human error. If so neither BNOC nor the Sumitomo rigs will need design changes.

In bad weather crews may have to alter the ballast and anchor positions on a rig so that it rides lower in the water.

There was speculation last night that the lost crew of Ocean Ranger One were comparatively inexperienced.

John Moore writes: Ocean Ranger had an insured value of $86.5m. Of that amount $16.5m of the insurance is placed in the London insurance company market and Lloyd's of London.

A further $80m of the value is insured with Oil Insurance, a mutual fund based in Bermuda. The first $1m of the claims would be met by the insured, while the balance of the insurance has been arranged with other overseas companies.

Exchange rule on foreign shares attacked

BY CHRISTINE MOIR

THE STOCK EXCHANGE'S ambiguous relationship with foreign companies, whose shares are traded in the London market but not officially quoted in London, has been sharply attacked by a shareholder in Reynolds Diversified Corporation.

On Friday the Stock Exchange posted a curt message that trading in Reynolds, a Nevada-based energy concern, was not permitted under Rule 163.

Reynolds, it transpired, is neither traded nor listed on any market anywhere in the world which under Stock Exchange rules, means that it cannot be traded in London.

When the Stock Exchange discovered this fact last week it stopped trading, thereby locking in more than 5,500 British shareholders.

The problem is that Reynolds' shares have been traded by no fewer than three of the leading jobbers for seven years.

Yesterday Mr John Stott, a Renolds' shareholder, accused the Stock Exchange of failing "to ensure that the shares complied with the Stock Exchange's rules."

He said it was "quite wrong for the Stock Exchange simply to abandon shareholders who had traded in good faith for so long" by closing their market.

In a letter to Sir Nicholas Goodison, chairman of the Stock Exchange, Mr Stott said: "as you, the Stock Exchange, personify an image of 'whiter than white' I would suggest you put the matter right as quickly as possible."

Mr Stott also told Sir Nicholas that he would be seeking legal advice about holding the Stock Exchange "responsible for any losses" incurred as a result of the halting of the market.

The Stock Exchange Quotations Department yesterday was said to be studying Mr Stott's letter and would not give any official reaction. Privately, however, it said that "the exchange has no relationship with foreign companies not listed on its market and even less with their shareholders."

Prison 'squalor' attacked in Home Office report

BY LISA WOOD

CONDITIONS IN overcrowded Gloucester Prison are "deplorable and degrading" for inmates and staff, a Home Office report said yesterday.

The report into the prison—with one modern wing devoted to segregated prisoners—was drawn up by Mr William Pearce, HM Inspector of Prisons, for Mr William Whitelaw, the Home Secretary.

There were 112 cells in the Victorian A and B wings, accommodating local prisoners, the report said. Each cell was designed for one person but they held 249 prisoners, with 60 cells furnished for three prisoners and 33 for two.

"In A and B wings, therefore, groups of three have to eat and to spend long hours in cells so filled by furniture that it is difficult for more than one man to move at a time," the report said.

For much of the time prisoners had to use a chamber pot. "The quality of life for prisoners in such circumstances becomes degraded to the point of being squalid."

The reception unit, where prisoners are checked and undergo their initial medical, was described as "quite the worst any member of the inspection team remembers seeing," the seven-strong investigation team said.

The report made 16 formal recommendations, including modernisation of the hospital, fire precautions, and improvements in the quality of employment for prisoners.

The Home Secretary said several of the recommendations had been implemented. On others, he reminded the Inspectorate of shortage of resources.

GLC officers 'approve' St George's site plans

BY ANDREW TAYLOR

THE Greater London Council has been told by its officers that plans by the Duke of Westminster for the commercial redevelopment of the controversial St George's hospital site are acceptable.

However there remains a strong possibility that the council's planning committee will today reject the officers' recommendation that the scheme by the Duke's Grosvenor Estate should not be opposed.

Last month the Government agreed to uphold a covenant permitting the Duke to buy back half the site—estimated to be worth more than £20m—for just £23,700.

Under the terms of the covenant Grosvenor Estate was allowed to buy the freehold for the same price paid by the hospital's governors in 1906. The deal was triggered at this stage because the site is no longer used for medical purposes.

The plans call for:

● The demolition of later extensions to the hospital on the western part of the site and erection of a six-storey office building of 167,780 sq ft.

● The restoration of the principle hospital buildings to the original design of William Wilkins. These would be used by an institutional occupier "for any one of a combination of uses: art gallery, museum, library, exhibition halls or conference facilities."

The report by GLC officers concludes: "The scheme offers the unique opportunity for the restoration of the outstanding Wilkins building . . . these very desirable restoration works together with the possible uses of the building for the benefit of the public are considered adequate planning advantage to set against the proposed office development."

Government presses for new phone standards

By Jason Crisp

THE DEPARTMENT of Industry has intervened to speed up the setting of standards for telecommunications equipment which can be connected to the public network under the new liberalised regime.

The standards are being drawn up by the British Standards Institute with British Telecom and the British Electro-Technical Approvals Board, which will test the equipment. Several other organisations are represented on the standard setting committees.

There has been growing concern at the slow progress in preparing the standards. The Department has appointed several independent special agents to sort out any bottlenecks. One of the reasons for slow progress is that the standards are being written by big and unwieldy committees.

Mr Kenneth Baker, Industry Minister, is believed to have been urging the rapid production of standards. Although the British Telecommunications Act was passed last summer there has been little evidence of change.

British Telecom is testing telephones from six companies for technical approval as part of an intermediate measure from the Department to speed up the sale of telephones.

The department will ensure there is much wider comment on the draft standards, which are expected soon. It has written to 1,500 telecommunications companies encouraging them to apply and comment on them. The time for public comment has been cut to one month.

One of the possible functions of the proposed regulatory body to be set up under a new telecommunications Bill would be to take over responsibility for standards. But it is believed the BSI would still have a role in standard setting.

The draft standards cover the safety of apparatus, to stop high voltages getting into the telephone network, and general requirements to prevent interference.

Specifications will soon be published for a standard plug to connect equipment to the network, extension telephones, teleprinters for use on the telex network and modems, which enable data to be transmitted from computers on telephone lines.

The draft standard for telex is only for simple teleprinters. The BSI warns that the "core standard" for the telex network is unlikely to meet the Government's target of October.

Recession blamed for 20% jump in Welsh water rates

BY ROBIN REEVES, WELSH CORRESPONDENT

THE Welsh Water Authority has approved an increase in its water charges of nearly 20 per cent for the next financial year. This has triggered condemnation from industry and gives added impetus to a planned Welsh Nationalist campaign of non-payment of water rates.

Mr Haydn Rees, the Water Authority chairman, blamed the recession for what he conceded was a "painful" increase. He said industrial closures and short-time working had meant a loss of £6m income over the past year. He also blamed continued inflation, restricted borrowing, the loss of £3m a year in equalisation payments, and the additional energy and waste water costs incurred during the blizzards and thaws of December and January.

The WWA calculates that the average household water bill in the coming year will go up by about £12 to £79, a rise of 18.3 per cent. Mr Rees said: "The bill, when it arrives, may be painful but, even in times of recession and inflation, maintaining an acceptable level of service to the public remains our duty and that duty must be carried out."

The increase was condemned by Mr Ian Kelsall, director of the Wales CBI. He described the planned rise as horrifying, a heavy blow for industry, and one which would hit Welsh efforts to attract industry. Mr Dafydd Williams, Plaid Cymru's general secretary, said the rise was scandalous and would reinforce the party's campaign of non-payment of water rates. The campaign would continue until Wales received a fair price for the water it exported to England.

This campaign is due to be launched on March 1 and particular emphasis will be given to the fact that the Severn Trent Water Authority, which draws much of its water from Wales, is increasing its charges by only 7 per cent.

Th Welsh Water Authority is still waiting to hear the outcome of the Government's arbitration on its claims against Severn Trent for a £3m extra payment on water supplied from the Elan Valley reservoir complex in mid-Wales. Severn Trent rejected the claim.

Transport chiefs call for 75% increase in fares

BY NICK GARNETT, NORTHERN CORRESPONDENT

SOUTH YORKSHIRE'S seven-year-old cheap fares policy appeared to be crumbling yesterday as a result of the Law Lords' judgment on Greater London Council's Fares Fair scheme.

The region's Passenger Transport Executive has told the ruling Labour group on the council that in its view fares have to rise substantially in stages—starting with a 75 per cent increase in April—to bring the policy within the law.

This follows legal advice taken by the PTE. The council has also had similar advice from Sir Frank Layfield, QC.

The PTE has also indicated that although the county council in effect fixes fares by its subsidy levels, the PTE would refuse to accept a level of subsidy it believed to be outside the law.

The Passenger Executive said that even with a 75 per cent increase fares would probably have to rise again this year.

It believes that to act in a "business-like," profit-loss manner—which is a requirement of passenger authorities in one interpretation of the Law Lords' decision—fares would have to rise by 700 per cent in five years.

The council's chief executive and treasurer have told councillors that they would not be prepared, in effect, to process a budget they considered to be illegal if challenged in the law, following the Law Lords' decision.

Leading Labour group councillors decided yesterday to defer any decision on fares policy until March 2. The council must fix its rate precept on March 4.

Mr Roy Thwaites, the council's leader, said he could not believe the GLC decision affected South Yorkshire's policy. He conceded, however, that there may be no alternative but to sanction next month's fares increase.

No-frills Metro enters budget-priced car market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

COMPETITION among budget-priced cars will intensify in the next few weeks.

BL will today launch the Metro City, a no-frills version of the Metro. The Samba, a Talbot hatchback costing less than £3,000, will be introduced in Britain on February 25.

BL makes no secret of the fact that it has aimed its new model at Ford's Fiesta Popular, the leader in this section of the market.

The Metro City has a list price of £3,249, £5 less than the Popular. It is £200 cheaper than the cheapest Metro previously available.

BL has cut the cost by taking out items such as the radio and the rear wash-wiper, and by using cheaper seat fabric.

BL believes it can sell 18,000 Metro Citys this year for a 1 per cent market share. It suggests this will be additional to the 7 to 8 per cent share which the Metro has taken.

But the new version is bound to hit sales of the Mini, which costs £2,889 in its basic form.

After Ford introduced the Popular at the beginning of last year it achieved the expected boost in sales. About 18,800 Populars were registered, equivalent to about 20 per cent of Fiesta sales of 110,753. Like the Metro City, the Popular is a de-specified version.

Talbot UK dealers will be told today that the basic version of the Samba will sell for less than £3,000.

The Samba has an official UK fuel economy figure of 61.4 mpg at a constant 56 mph. It is very similar to the Peugeot 104 from which it was derived—Talbot is part of the French Peugeot-Citroen group.

Talbot estimates it can import and sell about 2,000 Sambas a month to take about 2 per cent of the market. The Samba replaces the Sunbeam, which ceased production when the Linwood plant in Scotland was closed last summer and which had annual sales of nearly 22,000.

Bow coffee pot fetches £1,500 at Sotheby's

SALEROOM

BY ANTONY THORNCROFT

THE LONDON SALEROOMS had a normal day yesterday—selling a wide variety of objects at modest prices. Top price in the Sotheby's auction of English pottery and porcelain was £1,500, over double the estimate, for an early Bow coffee pot with the golfer and caddy pattern, while at Christie's Japanese sale, inro was in most demand, a 19th century four case example by Jokasai selling to Eskenazi for £5,184. In the furniture sale at Phillips a 16th century German carved oak side cupboard reached £5,000 and a pair of Kirman rugs £10,500. Eastern carpets were a strong market.

Perhaps the most interesting item sold at Sotheby's was a large stuffed tarpon, caught in 1902. The label says it was hauled in by Hemingway: he was three at the time. The fish went for £190, below forecast. An 1877 crank handled fishing reel more than doubled its forecast at £520.

Judges call for ACC documents

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE LEGAL dispute provoked by the bitter takeover battle for Associated Communications Corporation took a new turn yesterday when the Court of Appeal insisted on seeing the documents detailing the two undisclosed offers made by Mr Robert Holmes à Court's Bell Group.

The three judges said that it would be wrong for ACC to be taken over at a price less than it was known to be worth.

They commented on the absence of evidence that the ACC directors had committed themselves to sell their shares to Mr Holmes à Court, and indicated that, in the absence of such evidence, the court might conclude that the directors were not legally bound to do so.

They called for an explanation of the ACC directors' failure to react to a higher bid made by the Heron Group until 45 minutes before the midnight deadline imposed by Mr Holmes à Court for acceptance of his offer.

They suggested that counsel should consider whether there was a conflict of interest between ACC and its directors, requiring the company to be separately represented in the court proceedings.

The judges' forceful intervention came when the hearing was resumed of Heron's appeal against a High Court judge's refusal to grant it temporary orders preventing the ACC directors transferring their shares to Mr Holmes à Court.

The hearing was adjourned until this morning to enable ACC, its directors and their lawyers to consider the position.

Lord Justice Brightman said that, from a practical, commercial point of view, it would be wrong for ACC to be sold for less than it was known to be worth. If there was to be a takeover, it should be at the best price reasonably obtainable.

He suggested that, once a global price had been negotiated, an approach could be made to the Companies' Court for a scheme to work out the division between voting and non-voting shares.

Mr S. A. Stamler, QC, for Heron, said that that would be acceptable to Heron.

Mr Richard Sykes, QC, for the ACC directors, said that their difficulty was that they had committed themselves to sell their shares to Mr Holmes à Court and could not unilaterally get out of that contract.

Lord Justice Templeman said it was simply a question whether there was a case for saying that the directors were in breach of duty because they had a conflict of interest.

If they and Mr Holmes à Court insisted on the matter being aired in court, he would want more details of the two Bell offers.

Mr Sykes said that the original offer document had not been released. It was not "in the public domain."

In that case, said Lord Justice Templeman, the ACC directors were putting forward "a pig in a poke."

If recent newspaper reports were accurate, it appeared that Lord Grade was guaranteed £203,000 for the next four years, and was to be able to buy a house on very favourable terms. Those were very cogent matters on the question the directors wanted to fight on.

"Here is a gentleman who tied the directors up on January 13 with an offer, and here we are with the newspapers publishing leaks about it, and you say it has not been released to anybody?" said Lord Justice Templeman.

Lord Justice Brightman asked what documents there were showing that the directors had legally committed themselves to Mr Holmes à Court.

Mr Sykes said there was an irrevocable letter of undertaking, which was not in evidence before the court.

In that case, said Lord Justice Brightman, the court might have to disregard it and conclude that the directors were not bound. "The most you can say is that they believe, on the material before the court, that they are legally bound."

Lord Justice Templeman said that if they were not bound, "as soon as they realised that somebody was offering 66p for shares worth 85p, every decent director would say, 'I'm not going to have that'."

If they were not bound they ought not to accept the Bell offer or do anything to forward it.

Lord Justice Lawton said that it was directors' duty when there was a takeover bid to ensure that the Ordinary shareholders got the best possible price.

On January 11, the ACC directors had learnt that Heron, a very substantial and financially sound group, was offering £42m for shares for which Mr Holmes à Court had offered only £36m.

Yet, for some unexplained reason, they did not do anything about the Heron approach until 45 minutes before the deadline of midnight on January 13 imposed by Mr Holmes à Court for acceptance of his offer.

The judge said that, although he had not yet heard what Mr Sykes had to say about that, "My experience of the law over many years is that what has happened so far calls for an explanation."

BL threatens to shut truck plant

BY JOHN LLOYD, LABOUR EDITOR

SIR MICHAEL EDWARDES, chairman of BL has written to Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, telling him that Leyland Vehicles Bathgate plant will close if the strike continues.

The union has sent the letter to all its officials, lay and full-time, and to officials of other unions involved in the three- a weekly strike benefit.

However, the union's executive, which discussed the letter yesterday has decided to continue to support the strike with a weekly strike benefit.

Mr Duffy said: "This dispute is not about money, but jobs. We have a policy that where our members are seeking the retention of their jobs we support them."

BL has demanded cuts of 1,365 out of the Bathgate workforce of 3,600. It has already announced an end to tractor production at the plant, but has said that investment in it will continue if the strike is settled.

The seriousness of the crisis at the company was further underscored by a letter to all 12,000 Leyland Vehicles employees from Mr David Andrews, the group's chairman. He told the workers that a continuation of the strike "could put us out of business within days."

He said workers should attend the mass meetings to be held later this week and "have the courage" to vote for a return to work. Meetings will be held at Leyland and Chorley tomorrow and at Bathgate on Friday. The unions have made no recommendation to the workforce.

Talks between union officials and the company on Monday ended without agreement on the cause of the dispute—the demand by BL for 4,100 redundancies. The company rejected a union plan for increased investment in truck and bus production.

Sir Michael Edwardes said in his letter to employees that the company was losing £2m a week, and that the union plan would involve "a staggering cash requirement of £600m over the next five years" as well as a continuation of the present level of losses in the foreseeable future.

Heathrow ramp staff to step up action

BY BRIAN GROOM, LABOUR STAFF

BRITISH AIRWAYS ramp workers at Heathrow Airport's Terminal One and Terminal Two voted yesterday to step up picketing in their week-old dispute over new work schedules.

However, they received an immediate rebuff from engineering and maintenance workers, who voted in the afternoon to reject a call to "black" aircraft handled by volunteers doing ramp workers' jobs.

A proportion of the 2,000 ramp workers—BA management put attendance at 500—voted at their mass meeting to begin picketing Terminal Three from 5 am this morning in a bid to disrupt inter-continental flights. Disruption of European flights of other airlines is also possible.

Apart from some disruption to catering on long-haul flights on Friday and Saturday, picketing has been confined to BA flights from terminals one and two, which handle European and domestic services.

BA has been maintaining about 80 per cent of these by using pilots and other staff who volunteered to load baggage while off-duty

Mr Ron Todd, national organiser of the Transport and General Workers' Union, to which ramp workers belong had been hoping to confine the action to "controlled picketing" while attempts were made to find a solution to the dispute.

But the ramp workers yesterday confirmed their shop stewards' rejection of a peace formula worked out between management and TGWU officials on Friday night, under which they would return to work under the new schedules while holding discussions to modify them.

Mr Mike le Cornu, chairman of the stewards, told yesterday's meeting that the new schedules were completely unacceptable. "We are prepared to discuss work changes and new rosters, but under our own terms," he said.

Ramp workers have proposed a return to work under the old schedules while the new working practices are discussed. BA has rejected this.

The workers were asked yesterday to step up their action from 5 am on Friday, but such was the strength of feeling that it was brought forward to today.

"This now means that we can extend picketing to any part of the airport," Mr le Cornu said.

BA yesterday maintained 87 per cent of its European and domestic services, in spite of the pickets, and is planning to achieve 89 per cent today, with only 24 cancellations.

The airline wants to roster workers for 40 hours instead of the present 38½, increase their "attendance factor," end rostered overtime, and ask them to work more flexibly.

Ramp workers claim they have been locked out for refusing to work the new schedules.

BR pay-offs plan cleared in equality hearing

BY BRIAN GROOM, LABOUR STAFF

A CLAIM that a British Rail voluntary redundancy scheme was discriminatory because men and women were treated differently has been rejected by the European Court of Justice.

Mr Arthur Burton, of Doncaster, alleged that he was unfairly treated in 1979 when, at the age of 58, he was refused voluntary redundancy by BR, while a 55-year-old female colleague was accepted.

Candidates became eligible for the scheme five years before normal retirement age. Women therefore qualified at 55 and men at 60.

The case was referred to the European Court by the Employment Appeals Tribunal. Mr Burton was backed by the Equal Opportunities Commission.

The court said individual states were free under the EEC directive on social security to determine pension ages.

It ruled that employers must give employees equal access to voluntary redundancy schemes, access to voluntary redundancy linked to the pension age was not necessarily discriminatory.

The Equal Opportunities Commission yesterday said that Mr Burton's case showed the need for government action to equalise the pension age.

Two arrests as picket line is broken at closed plant

FINANCIAL TIMES REPORTER

TROUBLE FLARED outside the closed Laurence, Scott and Electromotors factory in Manchester yesterday when the owners moved in to take machinery from the besieged plant.

Two people were arrested as stones and bottles were thrown at lorries after a barrier across the main gates was pulled down.

More than 100 policemen had ringed the electromotors factory in Openshaw, which closed in April with the loss of 650 jobs.

In November the owners, Mining Supplies, staged a raid with a helicopter to remove machinery.

There were about 70 or 80 pickets yesterday when the lorries arrived. Missiles were thrown and a window broken on one of the lorries, driven by non-union workers employed by a South Yorkshire company.

Mr Steve Longsnaw, deputy convenor, claimed the company was there to take away £1m worth of machinery for Polaris submarines which the plant manufactured before the closure. He said picketing would continue.

Workers are demanding that 230 people who have opposed the closure be given their jobs back.

Mr Charles Morris, Labour MP for Manchester Openshaw, said he would seek a statement in the Commons from Mr William Whitelaw, Home Secretary.

Mr Arthur Snipe, chairman of Mining Supplies said at his firm's headquarters in Doncaster: "Ten waggons went into the factory to bring out personnel records and the remainder of the stock, which is worth about £1m.

"This stock has remained untouched since last April, when the company closed and we cannot afford to leave it there."

Mr Snipe dismissed as "rubbish" that some of the stock was for Polaris submarines. He said some would be used in Ministry of Defence contracts, however.

● Talks aimed at ending a three-week sit-in by workers at the Plessey Electronics factory at Bathgate, near Edinburgh, ended in deadlock last night.

Plessey has refused to withdraw dismissal notices given to about 200 employees last week.

Philip Bassett looks at the McCarthy inquiry's proposals for ending a 'damaging' conflict

British Rail criticised on handling of dispute

LORD McCARTHY and the members of the independent inquiry into the British Rail pay and productivity dispute yesterday put forward proposals which they feel "offer the best prospect of tracing a way out of the present differences between the parties in dispute."

However, the inquiry also warned that "the consequences of rejecting what we propose appears to us to be extremely grave and potentially disastrous."

The dispute between BR and the Associated Society of Locomotive Engineers and Firemen had "escalated into a prolonged and damaging industrial conflict which we cannot believe that any of the parties either envisaged or desired. Our own view is that this was and is a disaster for the railway industry."

The inquiry's brief included the need to find a quick and effective basis for a return to normal working. But because its members—Lord McCarthy, Mr Ted Choppen, a former Esso manager, and Mr George Doughty, a former draughtsman's union general secretary—also comprise the Railway Staffs' National Tribunal, the industry's own arbitration body, the inquiry makes clear its "need to safeguard the continued acceptability of the established machinery."

Accordingly, it has been "careful to do nothing to undermine its future credibility in the eyes of all its signatories."

Even so, the overall tone of the report is critical of the Board's position in the dispute, which it says arose out of the Board's actions after the publication of an arbitration award last year proposing a two-stage 11 per cent pay deal.

In reaching its conclusions, the inquiry looked at four areas. First was the relationship between the August 1981 pay and productivity understandings reached under the auspices of the Advisory, Conciliation and Arbitration Service.

The Board has insisted that these are linked, but Aslef has denied this.

The inquiry said that there was nothing in these two agreements which made the payment of the 3 per cent second stage of the arbitration award conditional on BR's view that satisfactory progress had been achieved on any or all six points of improvement in the productivity understanding.

"In effect the board was not provided with a veto which they alone need interpret."

However, the report undercuts this, by stating that "the two agreements are obviously related, in that they would not have been signed without each other."

It notes that "nothing has been placed before us to suggest that the society has formally reneged on the understandings reached with the assistance of Acas," though it had suggested that their implementation would give rise to difficulty.

The inquiry is careful not to undermine the position of the other two rail unions, which have agreed to the central productivity question of flexible rostering.

Secondly, the inquiry examines whether a disputed part of the Acas productivity understanding involves a shift away from the guaranteed eight-hour working day, which Aslef has held as sacrosanct since 1919. The board believes it does; while Aslef feels that any flexibility required can be incorporated within present rosters based on the eight-hour day.

While "fully understanding" BR's viewpoint, the panel found that "within the context of its own commitment to improve productivity and contain costs, the Aslef must be given an opportunity to make their case for an alternative solution" at arbitration.

While acknowledging that Aslef, according to documentary evidence submitted, has "not wished to present its position as unremittingly negative and obstructive," the inquiry ducks the issue of the meaning of the section of the understanding.

It felt it was "unreasonable and counter-productive to expect to provide a definitive answer to the complex questions in the absence of Aslef," which refused to attend the inquiry.

Thirdly, it looks at the board's refusal to pay the 3 per cent, and says the "best case" that can be put forward for the board is that it thought Aslef was in breach of the productivity understanding. But the inquiry takes the board's admission that the pay understanding was "not conditional in the narrow technical sense of productivity being achieved."

Finally, the inquiry looks as to whether the established machinery of negotiation had been fully used by the time the board decided to withold the 3 per cent.

Stating clearly that it cannot agree that there were no unused avenues of procedure, the report says there could have been failures to agree at two levels in the machinery, and the whole case could have been put to arbitration by the Railway Staffs' National Tribunal.

Its award would not have been binding, but with its wide respect in the industry, it "might well have offered the best way out of the current impasse."

It then puts forward "concrete proposals" for using the industry's negotiating machinery to try to bring an end to "an industrial dispute which is causing great harm to the railway and inconvenience to the public."

The crux of the proposals lie in what is described as a "re-assertion of Aslef's commitment to the understanding of August 1981, and a return in the established machinery a form that will ensure a rapid, decisive settlement of the issues in dispute."

Aslef should call off its industrial action and the BR Board agree to pay its members the 3 per cent.

It proposes a tight schedule for the issue to be put back into the negotiating machinery (see accompanying panel).

Crucially, though, the inquiry recommends terms of reference for the dispute to go before the national tribunal. These specifically state that the basis for the tribunal's examination of the issue should be "the implementation of sub-paragraph 2(c) of the 1981 productivity understanding in footplate staff and to award"—in other words, the key issue of variation on the eight-hour day should be the subject to which the tribunal arbitration will direct itself.

Finally, the inquiry proposes that the chairman of Acas should express his readiness to bring the parties together as soon as possible to assist in implementing the inquiry's findings.

Committee of Inquiry: Report and Recommendation on a Dispute Between BR Board and Aslef; Acas, Cleland House, Page Street, London, SW1.

Tight schedule for talks

The committee of inquiry into the railway dispute proposes a tight schedule for the issue to be put back into the negotiating machinery:

● Within seven days of the inquiry report the Railway Staffs Joint Council (Loco Section) should meet, with BR giving its proposals for implementing a variation on the eight-hour day.

● Within two days of both joint council's failure to agree, there should be a meeting of the next level of the machinery, the Railway Staffs National Council.

● By March 15, 16 or 19, there should be an arbitration hearing at the Railway Staffs National Tribunal.

UK NEWS—PARLIAMENT and POLITICS

Refund likely for penalised London boroughs

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

SOME OF the six London boroughs which suffered a penalty of £200m for overspending, are likely to be refunded by the Government.

This was announced in the Commons last night by Mr Michael Heseltine, Environment Secretary, when MPs debated the rate support grant order for the coming year.

Mr Heseltine also told the House that the Metropolitan Police had cut their spending plans for the coming year. This means that more money will be available for provincial forces.

The London boroughs which had their grant cut by Mr Heseltine last year were Camden, Hackney, Hounslow, Tower Hamlets, Waltham Forest, and Brent.

They later took legal action and the divisional court quashed Mr Heseltine's decision on the grounds that he had not held sufficient consultations with them.

The court held however that after considering representations from the boroughs Mr Heseltine could proceed as he thought fit.

Yesterday Mr Heseltine explained that he had considered carefully the points which the boroughs had since made to him. As a result he was prepared to judge their performance by their final spending figures for the current financial year rather than the sums originally planned.

In making this calculation he would not take into account the money which the boroughs had spent on inner-city programmes. This he said, may enable some of the authorities to achieve a waiver and gain exemption from the original penalty.

Mr Heseltine's remarks about the police follow protests from provincial forces that their budgets suffer disproportionately because of the large slice of grant which goes to the Metropolitan Police.

He said the position of police authorities outside London will be improved by the news that the Metropolitan Police precept for the coming financial year had been reduced by £13m from the original estimate of £325m.

There would therefore be a "modest consequential increase" for the provincial forces.

Mr Heseltine argued that his attempts to control the high level of local authority spending were meeting with success. The Government had tried to make a shift in direction against a background of spiralling unearned consumption.

"Over the next 12 months, there would be a continued shift and he believed this process would accelerate. "That is my objective and that is what I shall continue to work for," he said.

Every local council had an essential role in the strategy for defeating inflation. If overspending councils did not realise they were destroying jobs and investment then they had not listened to the "clamour of indignation" from the private sector.

He emphasised that 70 per cent of local authority spending went on manpower. The level of wages was in their own hands. In the private sector employers could not be insulated from excessive price increases.

In the coming year the Government would be giving grants totalling £11.5bn, to more than 400 authorities. He had sought a reduction on 5.6 per cent in local authority spending between May 1979 and April 1982.

But there had been a flow of misleading threats about the consequences of this target. There had been "carefully orchestrated headlines" and a deliberate campaign to prevent any cuts taking place.

Yet the achievement of the majority of local authorities proved how reasonable the Government's policies had been. Of 413 authorities there were 279 who were budgeting to spend within 2 per cent of the reduced level. He felt it was up to the high-spending authorities to prove why they could not do likewise.

Mr Heseltine maintained that the number of council employees, which has been rising strongly, had turned downwards. Between June 1979 and September 1981 staffing levels in England had dropped by 4.1 per cent.

HESELTINE: "Spending curbs successful."

Prior warns Ulster politicians to narrow differences

BY MARGARET VAN HATTEM, POLITICAL STAFF

MR JAMES PRIOR, the Northern Ireland Secretary, yesterday warned political leaders in the province that he might abandon plans for devolved government if he felt they were making no effort to overcome their differences.

In a major statement of his plans, made to a meeting of the Conservative Party's Bow Group at Westminster, Mr Prior said he was not aiming for total agreement between the main parties.

His main aim was to try to bring their disagreements down to manageable proportions, and to establish a framework which would enable them to work out and operate their own system of government.

But he added, if in the end, he concluded that the parties were not making any movement to narrow their differences, then the Government would abandon the attempt and continue with direct rule.

Mr Prior was speaking hours after a senior Cabinet committee examined for the first time his proposals to set up a Northern Ireland Assembly with elections later this year.

No major objections to his plans appear to have been raised, but a further meeting is planned before any statement is made or legislation presented to the Commons.

Meanwhile, Mr Clive Soley, a Labour spokesman on Northern Ireland, unveiled a major shift in Labour thinking when he called for a discussion on the constitutional structure for a united Ireland.

This, he told a meeting of the Oxford University Fabian Society, should look at a federal system of government based on the existing four provinces, with safeguards for political and religious rights within each of those areas.

Although the Labour Party is committed to a policy of unity by consent in Ireland, this is the first time that an official spokesman has spelled out in detail how it might be achieved.

Mr Prior also spoke out in defence of the desire of Northern Ireland's Catholic minority for reunification. Their nationalist aspirations, he said, were a fact—one that Britain would have to accept, and which would not be wished away.

"Expressions of this aspiration through the usual democratic means, is clearly legitimate and acceptable," he said.

He firmly ruled out suggestions advanced by Unionist leaders such as Mr James Molyneaux and Mr Enoch Powell and supported by some Conservative back benchers that the province should be integrated within the UK and political power strengthened at local government level.

The present troubles had arisen, he said, through civil rights demonstrations in the 1960s when the minority community was strongly incensed over abuses at local government level, particularly over housing.

"For a Government now to embark on a policy which would have as its centrepiece the return of much greater power to local government would be to give rise to the gravest possible concern," he said.

Mavericks may force guillotine on Canada Bill

By Margaret van Hattem and W. L. Luetkens

MOST OF THE initial hostility at Westminster over moves to give Canada sovereignty over its own constitution, including a newly drafted Bill of Rights, appears to have been defused.

The Labour, Liberal and Social Democratic parties are all expected to support the Government on the Canada Bill, which will have its Second Reading in the Commons today.

The Government's main concern is to steer the Bill through parliament with as little loss of Government time as possible. It appears distinctly uneasy, though. The signs are that the remaining handful of mavericks on both sides of the House may seek to prolong debate during the Bill's Committee Stage, possibly forcing it to impose a guillotine.

As with any major constitutional Bill, the Committee Stage will be taken on the floor of the House. Most MPs, including most of the former dissidents, appear to have accepted that the Canadian federal government has made considerable efforts to meet objections to the move from within Canada, and that any remaining problems are a purely domestic Canadian affair.

Labour, moreover, appears to have decided to forgo the opportunity to disrupt the Government's programme by prolonging debate. Such efforts, it is felt, might be misinterpreted in Canada as imperialist interference.

However, there remains a number of Labour, Tory and Scottish Nationalist MPs, estimated at up to 20, who are expected to wish to speak at length in support of the province of Quebec and of the various groups representing the indian community, which is resisting the move.

MPs expected to speak on their behalf include Sir Bernard Braine, Mr Bruce George and Mr Donald Stewart. Mr Enoch Powell has also indicated strong opposition to the Bill. His command of procedural tactics and his unpredictability is causing Government whips some anxiety.

The Government hopes that the Committee Stage will take up no more than a week. But, given that the Bill's passage through the House of Lords may take considerably longer, it is not optimistic of getting a Third Reading until March 15, when the Quebec Court of Appeal is expected to rule on the provincial government's case against the Bill.

The official Canadian view is that Westminster must pass the Bill, now that the proposals it contains have the support of nine of the 10 Canadian provinces, have been passed by the Canadian Parliament, and have been deemed legal by the Canadian Supreme Court.

Mr Jean Chretien, Canadian Minister of Justice, who arrived in London yesterday for the debate, said before leaving Ottawa that "this is not a problem for the British—it is a problem for Canadians."

The opposition in Canada has all but collapsed, although the Quebec government of Mr Rene Levesque argues that Quebec has a right to veto constitutional change in Canada because the country was born of a compact between British Canadians and French Canadians. The latter, overwhelmingly, live in Quebec.

The initial proposals of Mr Pierre Trudeau, tha Canadian Prime Minister, for abolishing Westminster's right to change the Canadian constitution, included a formula for future amendments, which, in affect, would have given Quebec such a veto. That veto no longer forms part of the package in the Canada Bill.

Representatives of the Canadian Indians are also still opposing tha Bill on the grounds that it insufficiently guarantees their rights to land—rights which were set out in treaties with the British Crown and in a British royal proclamation.

A case brought by the Indians of Alberta was dismissed in the Court of Appeal in London on January 28. The court ruled that any obligations of the British Crown now lay with the Canadian Government.

Thatcher hints at new curb on jobless benefits

BY IVOR OWEN

THE GOVERNMENT is considering new restrictions on entitlement to unemployment benefit when jobs offering "reasonable pay" were refused the Prime Minister revealed in the Commons yesterday.

She was replying to questions about a recent leaflet issued by the Department of Health and Social Security which explained the circumstances in which failure to take up an offer of employment does not involve a loss of benefit.

Mr Michael Ancram (C., Edinburgh South) suggested that the definition of "suitable jobs" for people on the unemployment register needed to be revised.

He asked the Prime Minister: "Do you consider in the light of the tragic unemployment figures the definition provided in the leaflet is still relevant?"

"Do you believe that it makes the provision of jobs more difficult when we should be doing everything to make more jobs available?"

Mrs Thatcher said she had seen the leaflet, and pointed out that the definition of a suitable job seemed to have remained unchanged since 1946.

She told MPs: "It seems to me that the definition does preclude people from taking jobs with reasonable pay. I have asked the Secretary of State for Social Services to have a look at it."

(The leaflet makes il clear that a person on the unemployment register is entitled to regard a job as unsuitable If the pay offered Is below the scale generally paid as a result of agreements between employer associations and trade unions.)

Earlier, Mrs Thatcher clashed with Mr Michael Foot, the Opposition leader, over the significance of the fall in industrial output in December.

He described it as a "collapse" to the lowest figure for more than 14 years and challenged Mrs Thatcher to say whether she regarded it as confirming or otherwise the optimistic prophecies about the prospects for the economy, which she had made over recent months.

Mrs Thatcher warned Mr Foot against attaching too much importance to the statistics for a single month, and, to jeers from Labour MPs, recalled that the figures covered a period in which Britain had experienced some of the worst weather conditions this century.

Other factors to affect output were the strikes at BL and Ford. Mrs Thatcher pointed out that a former political adviser to the last Labour Government had said the trend for the rest of the year was strongly upwards.

Mr Foot contended that the December figures bore out the gloomy forecasts made by the CBI and contrasted with the Prime Minister's optimistic prophecies made while mass redundancies were being made throughout the country.

Mrs Thatcher retorted that the figures for the fourth quarter of last year showed that industrial production had risen.

Emphasislng that one of the reasoos why production had fallen in December was the number of strikes, she declared, to Tory cheers: "It Is Mr Foot who backs the atrikes."

Bigger private house rental market urged

By Michael Cassell

A POLITICAL consensus over the role of the private rented sector could make available many thousands of badly needed homes, Mr John Stanley, Minister for Housing and Construction, told a Commons select committee yesterday.

Mr Stanley told the environment committee investigating the private rented housing sector, that there was an urgent need for the major political parties to establish a greater degree of understanding about the contribution which the sector could make towards solving Britain's housing problems.

He pointed out that the private rented sector accounted for around 14 per cent of the nation's housing stock—a much lower figure than in most other European countries and in the U.S.—and claimed that large numbers of houses were left vacant because landlords were uncertain about future housing policies.

Mr Stanley said that the Government had included measures in the Housing Act 1980—such as short-hold tenures and assured tenancies—designed to maximise the use of existing housing in the private rented market.

He reported that since shorthold tenure was introduced a year ago, over 5,000 such tenancies were known to have heen arranged "despite some exceptionally damaging policy statements" from the Labour Party, which had cast douhts on the future of sucb agreements under any future socialist government.

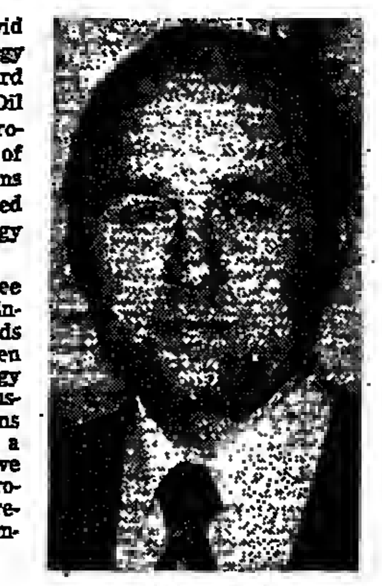
Mr Stanley said the Government was not planning any new proposals deslgned to give the private rented sector a "miraculous upsurge," but that it intended to make it an attractive option for large numbers of people seeking accnmmodation for short periods.

Labour says Government considered saving BNOC

BY PETER RIDDELL, POLITICAL EDITOR

ALLEGATIONS that Mr David Howell, the former Energy Secretary, as well as the board of the British National Oil Corporation considered proposals to preserve the unity of BNOC were made in a Commons committee yesterday by Mr Ted Rowlands, a Labour energy spokesman.

Speaking in the Committee Stage of the Oil and Gas (Enterprise) Bill, Mr Rowlands claimed that last May, when Mr Howell was still Energy Secretary, there were discussions with BNOC about plans to keep its operations as a single entity rather than hive off the oil, exploration and production side into Britoil, retaining a State trading company, as now proposed.



Ted Rowlands

Memorandum

Mr Rowlands discussed a BNOC memorandum to the Government in May 1980 outlining seven options for BNOC's future. Most envisage raising capital in various ways, only one splitting the organisation.

Mr Rowlands said that the Government should "spell out" the alternatives, especially as in his view there was no support for the split from the BNOC board or from last summer's scheme by the former Energy Secretary.

The Labour Party is against privatisation but says that if it has to happen it is better done by introducing equity at the top of an integrated corporation.

Replying for the Government Mr Hamish Gray, Minister of State, Energy, refused to discuss details of private talks leading up to the announcement of the Government Bill.

The issue arose on an amendment by Mr Trevor Skeet (Con. Bedford), who moved that both sides be sold off to ensure that BNOC stayed an integrated unit. Withdrawing his amendment, he said he would raise the question at the Report Stage.

The Government thinks that in practice most operations will be integrated in Britoil, leaving a small company for participation agreements and oil trading.

Industrial electricity price 'cheaper than thought'

BY SUE CAMERON

THE GOVERNMENT yesterday claimed that UK electricity prices for big industrial users were 10 per cent higher than those in West Germany—not 16 per cent higher as stated by the National Economic Development Office task force in a report last autumn.

The Government's claim came in a written commentary on a report published last summer by the Commons select committee on energy. Bulk electricity users have been able to make substantial savings as a result of measures announced in the last Budget enabling manufacturers to make average electricity cost savings of 5 per cent, it says.

It suggests that these savings "were not fully allowed for in the November NEDC report since not all firms in the categories of consumption concerned have been able to realise them uniformly."

It goes on to argue that the "overall effect" of these savings has been to reduce disparities between UK and West Germany.

British manufacturers have protested strongly that their energy prices were higher than those of their continental competitors.

Fuel and power prices have now been brought more closely into line with those in the rest of Europe. But electricity prices for high load factor, big users continue to be a source of grievance in the UK as does the UK's £8-a-tonne duty on heavy fuel oil.

But the Government claims that "the real burden of the duty has fallen by about 20 per cent since the 1980 Budget."

The British Gas Corporation has officially confirmed that its 50 per cent stake in the Wytch Farm oilfield in Dorset is believed to be worth around £450m.

Too much specialisation in schools, say MPs

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

SCHOOLS should be freed from the narrowing influence of university-entrance criteria, the Commons select committee on educatinn, science and the arts said yesterday.

The committee, which surveyed schools last year "found a very wide concern about the extent to which universities were felt to be dominating the secondary curriculum."

The committee's report says the result was too much specialisation from the age of 14 or even earlier, and not only for children with high academic eptitude.

Schools' courses should place less emphasis on academic detail, and more on promoting hroader understanding of important facts and concepts and developing essential skills.

The report makes 64 recommendations. One is for a change in the law to allow children to undergo work-experience in the last two years before ending their compulsory education, instead of in the final year only.

The MPs also want a national system of "profiling," under which every school-leaver would receive a record of achievement. This would include examinatiton successes and descriptions of activities in which the pupil bad excelled.

But another aurvey reported yesterday indicated tbat such a system was not practicable in the foreseeable future.

Mrs Jan Balogh, a London teacher who atudied the use of profiling in English schools, told a Schools Council conference at Stoke Rochford that there were too many obstacles to a national system.

For example, teachers felt that profilea would require them to assess children's skill in activities which they were not qualified to judge—such as manual dexterity and ability to work in a group.

Many children did not bave the opportunity to show working skills such as leadership or the use of a telephone while at school.

Profiles would best be developed in a limited local context, and desisned to meet the needs of particular employers, schools and pupils.

The Secondary School Curriculum and Examinations. HoC Paper 116-I; SO, £7.

Underhill says Militant guilty

By Elinor Goodman, Political Correspondent

LORD UNDERHILL, the former national agent of the Labour Party, who carried out the party's last inquiry into the activities of the Trotskyist Militant Tendency organisation, said last night that he was convinced that, in view of the evidence available, tbe natinnal executive committee's inquiry would confirm that Militant's was breaking the party's rules.

He warned that until Labour dealt with Militant, it would not regain the confidence of its traditional supporters.

The NEC refused to publish Lord Underhill's highly critical report on Militant. Instead, be pnblished it himself, in an attempt to get the party to take some action.

Despite the volumes of evidence he prodnced the NEC refused to take any action. Before Christmas, however, the NEC agreed to a new inquiry.

Howell to answer Channel link questions

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

MR DAVID HOWELL, the Transport Secretary, is to be questioned by MPs on the Commons transport committee today over the Government's evaluation of plans for a fixed link acrosa tha Channel.

He la expected to announce that the joint Anglo-French interim report on plans for a Channel link will be ready early next month. This report is widely expected to recommend to the British and French governments that in principle a fixed link across the Channel should be given the go-ahead.

Tha report is also likely to narrow the range of schemes that officiala from the British and French transport departments believe should be given the go-ahead for further study.

Two of the main contenders for the Channel link project are the British Rail-European Channel Tunnel Group partnership and the Tarmac-Wimpey Channel Tunnel Developments (1981) company, yesterday they engaged in a war of words over each other's rival scheme.

Mr David Williams, the aenior BR planning officer for the rail-only tunnel, criticised the Channel Tunnel Developments "campaign" to discredit his scheme, by claiming that the Tarmac-Wimpey consortium had resorted to "untruths, half-truths and innuendoes."

Mr Tony Gueterbock, director of Channel Tunnel Developments (1981) said he imagined the BR group was "over reacting and heing unduly sensitive to any criticism."

One of the main differences between the BR group scheme and that proposed by Channel Tunnel Developments has been tha size of tunnel. The BR group favours a six metre tunnel, wide enough to take rail cars but not wide enough for lorries on the backs of trains.

This has been described by Channel Tunnel Developments as the BR "mousehole scheme." Channel Tunnel Developmenta prefers a single or twin rail tunnel up to seven metres in diamter—the extra metre being crucial if trains are to carry trucks.

The seven metre tunnel coincides with the recommendations of the MPs on the Commons Transport Committee. Yesterday the BR group said it too would opt for either a six metre or seven metre diameter tunnel.

Civil servants face market forces

Philip Bassett on a complex pay offer to 520,000 white-collar workers

THE GOVERNMENT'S pay offer to 520,000 white-collar civil servants yesterday is the clearest statement so far of its intention to subject Civil Service pay to the impact of market forces.

The framework of this extraordinary offer is also likely to be intended as clear guidance to tha committee chaired by Sir John Megaw which is examining Civil Service pay in search of a replacement for the comparability scheme scrapped by the Government.

That move led directly to last year's damaging 21-week strike. The outcome warned civil servants that the 1982 pay negotiations would be difficult—but even with early indications of the likely shape of the offer, few could have thought the Government would take such a dramatic step as this.

Leaders of the Council of Civil Service Unions met Treasury officials yesterday to hear tha Government's reply to their claim for 13 per cent, with an underpinning increase of £12.50 a week. They were left in little doubt of the complete change of approach.

The more account taken of market and managerial factors, the nnions ware told, the less relevant became their arguments based on comparability and increases in the cost of living.

While these factors had a bearing on the offer, their influence was indirect, and could be subsumed in the market signals which guided management.

Officials stressed value for money, rewards for skill, experience and responsibility and the importance of incentives.

To these ends, the Government proposed a seven-part pay offer:

NO INCREASE for junior staff;

MERIT rises of between 1 and 5½ per cent for experienced staff. Higher increases would go to tha most experienced staff in each grade.

IMPROVEMENTS in skill and responsibility allowances—particularly for computer staff. The offer proposes increases in allowances for specialised skills ranging from 5 per cent for typing and data processing staff to about 11 per cent for executive officers engaged directly in computer work.

Qualified computer staff at the higher executive officer level would receive an unspecified new allowance.

UNTAXED luncheon vouchers would be replaced by taxable cash payments for about 17,000 junior staff to allow freedom of choice;

ADVANCES for staff to buy season tickets, at a "minimal" net cost to the Government;

"MODEST" improvements in laave allowances to remove anomalies and smooth out progressive holiday entitlements;

NEGOTIATIONS with private health companies to see if "advantageous discounts" are available.

The offer would mean no change in the rates for 16-20 year-old clerical officers, which currently range from £2,594 to £3,627.

But the main adult scale, currently £3,976 to £5,102, would rise by 1-2½ per cent to £3,976 (no change in the bottom-rate) to £5,230. A relaxation in the offer of allowances would lead to a "Maximum +1" rate of £5,383—a 5½ per cent increase for the most senior staff in the grade.

Rates for a principal would rise on a similar basis: no increase at the bottom end of £11,372, and a 1-2½ per cent rise up the scale, from £11,698-£15,010 to £11,810-£15,385—again with a topped-up "Maximum +1" rate of £15,836.

London weighting is payable on top of these rates where appropriate.

The offer may well prove divisive to the trade unions. It offers improvements for certain sections—computer operators, and more experienced staff—which they would not wish to alienate by rejecting it outright.

Its central thrust—different offers for different grades, instead of an across-the-board increase—is likely to anger union leaders. Their members, though, may well find that there is enough in It to aatisfy disparate groups and prevent their leaders' anger from swelling into industrial action.

The offer is clearly hased on a political calculation that after an expensive series of at best inconclusive strikes last year, there will be little stomach for a fight this year.

Even militant union officials are talking now of action only if the Government rejects any eventual arbitration award and holds the Civil Service to its 4 per cent cash limit pay provisions — and that talk is dwindling.

Some union officials will now press for an early rejection of the offer, and a move towards arbitration, which was guaranteed as part of the settlement to last year's strikes.

It is quite clear from the terms of this offer, though, that the unions will meet stiff resistance from the Government at arbitration — and that the political will to go to parliament if necessary to override it is there.

May Day break may be scrapped

THE MAY DAY Bank Holiday introduced by the last Labour government could be scrapped and a new one established, linked with the Spring Bank Holiday, giving workers a four-day break at the end of May, it was disclosed yesterday.

In a Commons written reply, Mr Michael Alison, Employment Minister of State, said he would consult financial institutions, employers and employees organisations and others to see if it "would be sensible" to make the move.

There could be no change before next year and it would only apply to England and Wales, he added.

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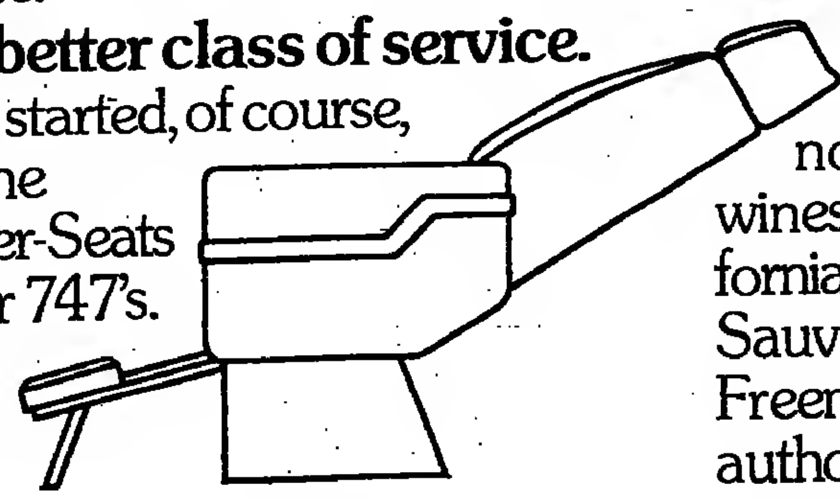

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FT COMMERCIAL LAW REPORTS

Sterling for foreign currency creditors

IN RE LINES BROS LTD

Court of Appeal (Lord Justice Lawton, Lord Justice Brightman and Lord Justice Oliver): February 11 1982

WHERE A company goes into liquidation owing debts in foreign currency and in sterling, payment of dividends by liquidators to foreign currency creditors should be made in sterling at the exchange rate prevailing at the date of commencement of winding-up.

* * *

THE COURT of Appeal so held when dismissing an appeal by Lloyds Bank International from Mr Justice Slade's decision in the Chancery Division that liquidators distributed assets correctly in winding up Lines Bros Ltd (the company).

Section 302 of the Companies Act 1948 provides: "... the property of a company shall, on its winding up, be applied in satisfaction of its liabilities *pari passu* ..."

LORD JUSTICE LAWTON said that the bank lent the company 15.5m Swiss francs repayable in the same currency. On September 28 1971 a resolution was passed to wind up the company, and the liquidators later paid dividends to the foreign currency creditors, including the bank, in sterling at the rate of exchange then prevailing.

After September 28 sterling depreciated against the Swiss franc. Had Swiss francs been bought with the bank's sterling dividends on the dates of payment, it would have lost about £1.8m.

The bank claimed that before paying each dividend, the liquidators should have worked out the proportions of the claims, and paid the bank either in Swiss francs or in sterling calculated at the prevailing rate which would have bought it its proportion in Swiss francs.

The liquidators had followed a practice which had been recognised as correct in law since the 1860s. The bank said that that practice was invalidated by the *Miliangos* case [1976] AC 443, and that since then all liquidators should either pay dividends in the foreign currency in which the debt was incurred, or in the sterling equivalent at date of payment.

*

Mr Justice Slade held that the correct date for fixing the exchange rate was the date of commencement of the voluntary winding-up, namely September 28 1971. He followed Mr Justice Oliver's judgment in *In re Dynamics* [1976] 1 WLR 757. The bank now appealed from his decision.

In *Miliangos* the House of Lords decided that the Swiss plaintiff could, in an action brought in England, ask for judgment in the currency of account, which was Swiss francs. The House recognised, however, that there would have to be provision for converting the foreign currency into sterling if the judgment were to be enforced in England. The conversion date was held to be when the court authorised enforcement in terms of sterling.

Following that decision a practice direction ([1976] 1 WLR 83) was issued directing that the sum set out in judgments in foreign currency should be followed by "or the sterling equivalent at the time of payment."

The inference to be drawn from *Miliangos* and the amended practice was that if a judgment creditor in a foreign currency wanted to enforce it under English law, there had to be a conversion into sterling before execution.

A liquidator could not apply a company's property in satisfaction of its liabilities *pari passu* under section 302 of the Companies Act 1948, until he had put a value in sterling on any claims in foreign currency. He had to compare like with like, and a Swiss franc could not be compared with a pound until its sterling value was known. A convenient date for making the valuation was the date when the winding up started.

Mr Stubbs for the bank, submitted that *pari passu* in section 302 meant that dividends had to be paid in the same proportions in which the claims stood at the beginning of the liquidation. The notional conversion of the bank's claim into sterling as at September 28 resulted in its debt not being fully paid. The sterling creditors' debts were fully paid, and the liquidators had therefore not paid the debts *pari passu*.

That submission ignored the juridical nature of liquidation. The company's assets, when realised, provided a fund which the liquidators administered in many respects like a trust fund. Creditors' contractual rights to be paid became statutory rights in the fund. Its size had to be ascertained as soon as possible because it could not be applied until then, and as like had to be compared with like, its valuation had to be in sterling.

Since *re Humber Ironworks (1869) 4 Ch App 643*, it had been the practice to value the fund as at the date of liquidation. There was no reason why a different date should be fixed merely because one or more of the liabilities was stated in a foreign currency.

The appeal should be dismissed.

*

LORD JUSTICE BRIGHTMAN agreeing, said that the policy behind the *Miliangos* case was that a foreign currency debtor should not be entitled to impose on a foreign currency creditor the risk of a fall in the value of sterling. Justice demanded that the risk should be borne by the debtor, who was the party in default.

In the present case there was no reason why the sterling creditors should bear the risk of depreciation in the value of sterling. The just course was to value the foreign debt once and for all at an appropriate date, and to keep that rate of conversion throughout the liquidation. The loss and benefit from changes in exchange rates would then lie where they fell.

The only candidate for a single conversion date in the present case was the liquidation date, that is the date of the winding-up resolution.

*

LORD JUSTICE OLIVER also agreeing, said that the key word in section 302 was "liabilities." Mr Stubbs suggested that because *Miliangos* established that a creditor in foreign currency was owed foreign currency, it followed that the debtor was a debtor in foreign currency alone and could not obtain his discharge by anything but a foreign payment.

That was to stand *Miliangos* on its head. What *Miliangos* was concerned with was the measure of a debtor's liability in sterling when, *ex hypothesi*, he had not paid and was unwilling to pay in the currency of the debt.

Applying that to liquidation, one of the liquidator's tasks was to ascertain what "the liabilities" were, and it was not disputed that they were liabilities as they existed at the winding-up.

The amount of a liability was to be measured by that which the person liable could be compelled to pay in order to discharge his obligation. The company's liability at the winding-up date was the amount it could be compelled to pay, and was whatever sum in sterling would then discharge the debt.

Appeal dismissed. Leave granted to appeal to the House of Lords.

For the bank: William Stubbs QC and Mary Arden (Cameron Markby).

For the liquidators: David Graham QC and Robin Potts (Simmons & Simmons).

By Rachel Davies

Barrister

RACING

BY DOMINIC WIGAN

IT MAY be Fred Winter's day at Windsor this afternoon. The Lambourn trainer saddles three horses, all with chances. Most interesting of the trio is Venture To Cognac, winner of that controversial three-horse race at Kempton last month when the long odds-on favourite Little Owl was pulled up at halfway. True, it was a hollow victory, but it showed that, following more than a year's absence from the course, Venture To Cognac's jumping ability remains sound.

I expect him to be too good for Dramatist in the Fairlawne Chase (3.15) and so show that he is by no forlorn hope for the Tote Cheltenham Gold Cup.

Winter's other two runners are Rodman in the Magna Carta Handicap Chase (2.15) and Princeton in the Don Pepino Novices Chase (3.45).

Rodman has not run for a long time, and faces stout opposition from Major Knight and Durham Lad, who incurred a 10 lb penalty through an easy victory at Wolverhampton nine days ago.

Princeton, a disappointing performer on the flat when trained by Major Dick Hern, is beginning to show signs of developing into a useful steeple chaser. He won convincingly at Leicester recently and his task this afternoon does not look difficult.

Richard Hannon saddles Hiz or Mepcote in the Hatch Bridge Hurdle (2.45), and I would not care to oppose whichever is his selected runner.

Best bet at Worcester may be Broad Principle in Division II of the Bransford Novices Hurdle (2.00). This Bustino gelding won two good handicaps on the flat last season when trained by Michael Stoute. He shaped well on his first appearance over fences at Ludlow last Wednesday, and may not have to improve much on that to score today.

WINDSOR
2.15—Rodman
2.45—R. Hannon's selected
3.15—Venture To Cognac**
3.45—Princeton*

WORCESTER
2.00—Broad Principle***
2.30—Bannoran
3.30—Rathgorman

GARDENS TODAY

A time to bring back the birch

BY ROBIN LANE FOX

WET WEATHER and warm patches of early spring sunlight make me long for a fortnight in a special sort of forest. It would not be a wood of Malaysian orchids nor of North American willows, but a Chinese forest of well-grown birches.

Birches are the trees which revel in the damp and wet surroundings of our countryside in February and which come to life, like no other variety when the afternoon light falls across their trunks before their leaves are open and deflected. Nowadays, birches have fallen from grace in small gardens, largely because they are greedy trees whose surface roots starve the bulbs and cover beneath them.

John Betjeman's poems help to fix them as a tree for suburban settings only and I dare say that the rise of the sauna bath and those bundles of birch twigs have deterred most sensible gardeners.

Like oaks, however, birches come in all shapes and sizes, yellow, silver, paper white, weeping or only three-feet high, the miniature birch which is native to the Scottish Highlands.

Earlier this century, some wonderful forms were collected by travellers in China and Japan who wrote rhapsodically of their creamy trunks and orange brown bark, visible for miles down their native hillsides. Many of these birches had waterproof bark, so the natives used it for boating and roofing and for primitive banknotes when they floated new ventures or flooded the market with buoyant credit.

If you think you know all about birches, I bet you have never noticed their scent. Old Miss Jekyll knew all about this in the copses in her Surrey landscape. In a warm mid-April, she noticed, the fresh green leaves give off a scent as strong as lily of the valley "as if it were the office of these mountain trees already nearest the high heaven, to offer a mass of praise for their new life."

If you visit a stand of birches away from a roadside or urban planting, their scent is still evocative—lost when we cram these great trees among the murderous smell of traffic.

There are no bad birches in the family, but there is more to enjoy than the familiar silver bark and the rough blackened wrinkles of its old age. Hilliers of Winchester list almost all the birches you could ever want. If you have a damp and acid soil which they love, you ought to branch out and think boldly of yellow and brown orange birches for the views down your boundaries and hillsides.

At Bodnant Gardens in North Wales you can learn from the great dell how best to place rare birches in a setting fit for rhododendrons. Westonbirt, in Gloucestershire, went boldly into birches a generation ago and now sets its visitors some superb examples.

In Ireland, I recall a sensational group of the prince of Himalayan birches in the care of Trinity College, Dublin. Sold as Betula jacquemontii, this is the most dramatic birch for the adventurous gardener. It is a tree with peeling white bark and leaves which are toothed and brilliantly coloured when they fall in autumn.

Nurserymen only sell the white barked form of this nowadays, though strictly it can also range into pale brown or buff. It is a tall, thin tree, for a noble site and is worth placing where its trunk can be admired, above all in a widely spaced triangle of three.

If Dublin is too far, there is a wonderful example, like a cream-white column, up north in the Edinburgh Botanic Garden. It refutes the old fears that this birch is not completely hardy.

I wish we all made more of the yellow birch called lutea. You can see this in full swing at Kew or Westonbirt and although the young yellow bark has to poke through an upper layer of peeling brown, it is a grand tree of distinction which matches its silver companion in a mixed grouping. Hilliers still sell it, together with a pinkish cream variety called Ermanii which is at home in the wild from Siberia to Japan.

Eventually, this makes a huge tree up to 100 ft, but it is worth finding room for its branches because they are a rusty shade of orange brown. Its leaves turn a brilliant yellow and fall perfectly round the pale trunk in autumn. I am surprised how little notice we give to the birch's autumn colour.

These forms will grow anywhere, but they are not at their best on dry or chalky soils and I see no point in choosing them for the struggle against a hot summer where the ground does not suit them. At Wisley, you can see the best birch for a very damp site, but you might miss it because it has none of the whiteness of the familiar varities.

Betula nigra, the Black Birch, has an odd habit of keeping a curling collar of old brown bark up the length of its trunk. The stems usually branch just above the ground, but this is a rugged American variety which will surprise conventional gardeners. It grows quite freely with or without a nearby river. The green leaves are shaped like cut diamonds.

The only birches which I would not plant are the true weeping forms, especially the famous Youngii variety for smaller gardens. Even if you remember to train this tree's main stem upwards before you allow it to droop naturally, its branches will fall forwards and hide the trunk beneath a thick curtain of green leaves. It is not a tall tree and although it sells well, I far prefer the plainer forms of our native birch.

Before Mr Young made his choice, this ordinary tree combined the beauty of a black-and-white trunk with the weeping line of the branches which hang from the main stem. Few other trees give such a contrast of line in one and the same plant. The plain form is excellent, but I would end any collection with the lovely Swedish variation called Dalecarlica. This is exceptionally elegant, distinctive in leaf and more graceful in its thin canopy of drooping branches.

For me, it is the pick of the black and silver birches, but its stock all derives from one lost parent, so I would have to bring it to my garden, not find it by the dozen among the yellows and browns which make up the wild birch forests in my mind's eye.

TELEVISION

Chris Dunkley: Tonight's Choice

BBC2 and ITV each have a documentary which sounds interesting. Chronicle tells the story of "The Father Of Pots," Sir Flinders Petrie, a man described as a genius of archaeology. Born in London in 1853 he first went to Egypt at the age of 27 to test the theory that the Great Pyramid was "divinely inspired." While disproving it, he became aware of the wholesale plundering of the ancient monuments of Egypt, and to save them from further damage he joined the newly formed Egypt Exploration Fund to introduce proper scientific excavation. Petrie was among the first to realise that the true history of Egypt was to be found in the small things: the potsheds and everyday domestic objects.

ITV's East 103rd Street is the story of a poor American family deeply involved in the drug culture. It was directed and shot on the streets of New York's Spanish Harlem by cameraman Chris Menges who has become something of a specialist in films about drug abuse. He also photographed The Opium Trail and Opium Warlords, The White Powder Opera and The Politicians. Tonight's programme tells of Tony, the 43-year-old mother who has been a heroin addict for many years, her common law husband Paporté who is also addicted, Tony's son Danny who has just started on the drug, and his sister Candy who tries to stop him becoming addicted.

BBC 1

6.40-7.30 am Open University (UHF only). 9.05 For Schools, Colleges. 10.00 You and Me. 10.15 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Postman Pat. 2.01 For Schools, Colleges. 3.05 Songs of Praise from Crawley Down. 3.40 Play it Safe! 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Winsome Witch. 4.25 Jackanory with Prunella Scales. 4.40 Take Hart with Tony Hart. 5.00 John Craven's Newsround. 4.05 Grandad starring Clive Dunn. 5.35 Ivor the Engine.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.50 Rolf Harris Cartoon Time (London and South East only).
7.20 The Wednesday Film: "The Last Hunt," starring Robert Taylor and Stewart Granger.
9.00 News.
9.25 Sportsnight: The Greyhound TV Trophy from Manchester; World Bobsleigh Championships from St. Moritz; plus news of tonight's football.
10.25 Parkinson: James Stewart is among Michael Parkinson's guests.
11.23 News Headlines.
11.25 Oscar Peterson — Words and Music, with Stéphane Grappelli and Jean "Toots" Thielemans.

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
12.30-1.20 pm Open University.
3.55 Landscapes of England.
4.20 Dayan.
5.10 Santa Maria del Popolo.
†5.40 Laurel and Hardy in: "Dirty Work."
6.00 The Water Margin.
6.45 The Making of Mankind.
7.35 News Summary.
7.40 The Master Game.
8.10 Chronicle.
9.00 M*A*S*H.
9.25 Nancy Astor.
10.15 Out of Court.
10.45-11.35 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 Play it Again. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Take the High Road. 2.00 After Noon Plus, presented by Mary Parkinson and Kay Avila. 2.45 The Six Million Dollar Man. 3.45 Definition. 4.15 Dr Snuggles. 4.20 Madabout. 4.45 Arthur of the Britons. 5.15 Mr Merlin.

5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 This Is Your Life: Eamonn Andrews has a surprise for another unsuspecting guest.
7.30 Coronation Street.
8.00 Starburst.
9.00 Minder, starring Dennis Waterman and George Cole.
10.00 News.
10.30 East 103rd Street.
11.50 Barney Miller.
12.20 am Close: "Sit Up and Listen" with Elisabeth Lutyens.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 2.45 Trapper John. 5.15 Happy Days. 5.00 About Anglia. 11.50 Love American Style. 12.15 am The Big Question.

BORDER
1.20 pm Border News. 2.45 Bracken. 5.15 Radio. 6.00 Lookaround Wednesday. 11.45 News Summary.

CENTRAL
1.20 pm Central News. 2.45 Hagen. 5.15 Radio. 6.00 Crossroads. 5.25 Central News. 11.50 1982 Butlins' Grand Masters Darts Championship. 12.20 am Replay: Night Gallery.

CHANNEL
1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.45 Trapper John. 5.20 Crossroads. 5.00 Channel Report. 6.35 Ladies First. 10.28 Channel Late News. 11.50 Superstar Profile. 12.10 am Epilogue followed by News and Weather in French.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News. 2.45 The Great Depression. 5.15 Private Benjamin. 6.00 North Tonight. 11.50 Superstar Profile. 12.20 am North Headlines.

GRANADA
12.30 pm Mr and Mrs. 1.20 Granada Reports. 1.30 Exchange Flags. 2.00 Take the High Road. 2.30 The Multi-Million Viewer Audition. 2.45 The Great Depression. 5.15 Private Benjamin. 5.00 This Is Your Right. 5.05 Crossroads. 5.30 Granada Reports. 11.50 Police Surgeon.

HTV
1.20 pm HTV News. 2.45 Bracken. 3.45 The History Makers. 4.45 Sport Billy. 5.10 Ask Oscar! 5.20 Crossroads. 6.00 HTV News. 6.30 Sing a Song With Me. 10.28 HTV News. 11.50 The Amazing Years of Cinema. HTV CYMRU/WALES—As HTV WEST except: 12.00-12.10 pm Flalabalam. 4.15 Y Rhoilffordd Gudd. 4.45 Mr Merlin. 5.10-5.20 Dick Tracy. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Pothau Prin. 11.15-12.35 am East 103rd Street.

SCOTTISH
1.20 pm Scottish News. 1.30 A Full Life. 2.45 The Great Depression. 5.10 Trivial Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Action Line. 6.30 Weir's Way. 10.35 Late Call. 10.40 Scotsport Special. 11.15 East 103rd Street.

TSW
1.20 pm TSW News Headlines. 2.45 Trapper John. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Scene South West. 10.32 TSW Late News. 11.50 Superstar Profile. 12.15 am Postscript. 12.20 South West Weather.

TVS
1.20 pm TVS News. 2.45 The Great Depression. 5.15 Radio. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 11.50 Jazz and Blues: The Dave Brubeck Quartet in Concert. 12.20 am Company.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 The Love Boat. 5.15 Private Benjamin. 5.00 North East News. 5.02 Crossroads. 5.25 Northern Life. 10.30 North East News. 11.50 A Look at Bellringing.

ULSTER
1.20 pm Lunchtime. 2.45 The Great Depression. 4.13 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.50 News at Bedtime.

YORKSHIRE
1.20 pm Calendar News. 2.45 Trapper John. 5.15 Private Benjamin. 5.00 Calendar (Emley Moor and Belmont editions). 11.50 The Jazz Series: With The Ronnie Scott Quartet and the John Dankworth Quintet.

RADIO

(S) Stereophonic broadcast
‡ Medium Wave only

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.02 pm Cricket Desk. 12.03 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News: Sport. 6.00 John Dunn (S). 8.00 Alan Dell with Dance Band Days. 8.30 The King's Collection (S). 9.00 The Folk Entertainers (S). 9.30 Sounds of the Sun (S). 9.55 Sports Desk. 10.00 Pros and Cons. 10.30 As My Guest says Charlie Chester. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued) (S). 9.00 News. 9.05 This Week's Composer: Dvorak (S). 10.00 Spanish Songs (S). 10.35 Lute Recital (S). 11.15 Enesco: Chamber music recital (S). 11.55 Northern Sinfonia of England (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Jazzman Talking: Sonny Rollins in conversation with Charles Fox (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 S.S.S. Structures, Systems, Signs. 8.00 Elgar: "The Apostles," from the Royal Festival Hall, London (part 1) (S). 9.05 Six Continents (S). 9.25 Elgar: "The Apostles" (part 2) (S). 10.38 Philip Cannon: Logos (S). 11.00 News. 11.05-11.15 Hubert Parry (S).

MEDIUM WAVE as VHF except as follows: 7.20-11.20 am Cricket: Test Match Special, Sri Lanka v. England.

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 6.35 Yesterday in Parliament. 8.00 News. 8.05 Midweek: Henry Kelly (S). 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Around the World in 25 Years (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Zoo Talk. 4.00 Beyond the Threshold. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News including Financial Report. 6.30 My Word! 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A Musical Evening with Thomas Allen. 8.45 File on 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Quote ... Unquote (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

The birth of a new generation

David Fishlock describes how GEC's turbine generator division developed products to capture overseas markets

IMAGINE a laser-beam, guided by computer, slicing through thick stainless steel sheet to cut out an accurate aerofoil slot several inches long in a matter of seconds. Then picture robots at work inside a big vacuum chamber, picking up wing-like steel sections and welding them into the slots with electron beams.

It could almost be the technology of silicon chips. But in fact it is part of the manufacturing cycle for the biggest machines being made in Britain. This is the way a key part of a large steam turbo-generator will be made by the mid-1980s, forecasts Bob Davidson. He is spending £5m to perfect his beam technology, in the belief that it can halve both the time and cost of making this component.

As managing director of GEC Turbine Generators, Bob Davidson's plan is that beam technology will take its place on a production line which already includes several advanced machining centres costing upwards of £1m apiece, and which has sharply cut the time it takes to make a turbo-generator (see inset).

This kind of investment in advanced manufacturing technology is taking place at all four of the GEC factories involved in making steam turbo-generators. Since 1970, when GEC reorganised its acquisitions following the mergers with English Electric and AEI, GEC Turbine Generators has invested over £60m in factories at Rugby (high- and intermediate-pressure turbines), Trafford Park (LP turbines), Stafford (generators) and Larne (feed-water plant and large steel fabrications). Currently its manufacturing investment programme is running at £14m a year, backed by another £2m a year for training.

According to Doug Edwards, general works manager at Trafford Park, "we're now beginning to see some of the benefits of the computer revolution."

At the heart of this change is a new product, developed in the early 1970s. GEC had abandoned the turbo-generator business in the 1960s, only to find itself deep in again through its acquisitions. It was faced with a need to reconcile two different styles of engineering at a time when it was beginning to dawn that the boom years of turbo-generator business in Britain were over.

Never again, GEC concluded, would the home market provide enough business to sustain a turbo-generator company. Therefore it had to find a new product acceptable to both export and home markets or get out of the business once more, Bob Davidson says.

How Trafford Park cut production time

EACH OF GEC's £1m-plus machining centre investments is in a carefully isolated, and critical stage of the manufacturing cycle for low-pressure (LP) turbines.

Hence the purchase of an Innocenti FAB 182 machining centre early in 1979, at a cost of £1.3m, reduced the machining cycle of the cast steel turbine frame by 60 per cent, and cut five months from the total time in works for the LP turbine, to 37 months. Then the purchase of an Asquith 16/60 machining centre in late-1979, at a cost of £1m, reduced the machining time for turbine pedestals by 60 per cent and cut another three months from the time in works, to 34 months.

The next big investment is to commission a Pegard Preciram 4 horizontal borer from Belgium early next year, at a cost of £1.2m. This is expected to reduce the machining time of the LP inner cylinder by 50 per cent, and cut another two months from the time in works, to 32 months. Later next year an Innocenti-GEC numerical control centre lathe will be commissioned, costing £1.4m, expected to reduce the machining time of the 168-tonne LP rotor by 60 per cent, and cut another two months from the time in works, to 30 months.

Thus Bob Davidson forecasts that, between the commissioning of the LP turbines for Heysham this year and commissioning of the LP turbines for Hong Kong's Castle Peak B power station in 1986, he will have cut the time in works of this portion of the turbo-generator from 42 to 30 months. And if the beam technology works as planned for fabricating LP diaphragms—the stationary blades—he expects to save another four months on deliveries for the late-1980s.

Mistake

From the Central Electricity Generating Board it recruited a top designer, Dr David Kalderon, formerly from GEC's turbo-generator factory at Erith. Kalderon abandoned past industry practice of trying to meet each customer's individual requirements with virtually a unique machine each time. He aimed for a standardised design which envisaged the turbo-generator as a small number of matching modules from which a complete machine of the required performance could be assembled—Meccano-like—to the customer's specification.

Driving this project all the time was the need to improve the quality and reliability of the most powerful of all rotating machines, where a single blade in the high-pressure turbine may be generating 300 kw. "Every mistake we make is very severely punished," Kalderon says. But other major objectives from the outset were the need to improve productivity in GEC factories, and to reduce the four years it was taking to build big turbo-generators.

Within the cylinders, Kalderon focused a big research and design effort on blades. Of the 10 per cent losses normal in the generator, four-fifths arise in the rotating blades. Over-riding all other considerations is the problem of vibration, impossible to avoid completely because what these blades see is not a steady blast of steam but searing pulses of "fluid," initially with one-third the density of water. Vibration can cause creep—stretching—at the high pressure end of the turbine, or brittle fracture at the low pressure (LP) end. As Kalderon sees it, "any failure of blades is very damaging to the manufacturer's reputation." Should it occur in one of the biggest LP blades, weighing over 50 kg, the physical damage can also be immense.

Again he found a modular solution. The modules this time are standard aerofoil sections through the blades, which the designer can blend into a smoothly profiled blade up to 10 inches long, capable of meeting all his requirements but those of the biggest of the LP blades. In this way he built up two families of blades "which we think are as good as the best of our competitors." What is more, all these blades profiles can be sculpted on the same machines in one continuous operation.

But the biggest LP blades were not forgotten. These do a lot of the work, under aerodynamic conditions quite different from the smaller ones. There are about 69-90 of them, spinning with a tip speed approaching twice the speed of sound, each exerting a pull of 270 tonnes, on the rotor. Kalderon's designers came up with a vastly stronger blade for this stage, so that much more of the power of the steam is being extracted in the LP cylinders. Designs as big as 500 Mw need only one of the new LP cylinders, dramatically reducing the length of the machine.

Statistically speaking, there is still insufficient evidence yet that GEC's modular approach to turbine design is a success. All Kalderon can say is that he has installed eight machines of the new design, totalling 4,500 Mw, since 1979 and has not yet had a blade failure. He claims that the new design has shown itself to be "very reliable and operationally flexible." Unscheduled breakdowns have cost the customer, on average, less than 1 per cent of its power.

Still more to the point, since blading is a big part of total manufacturing costs, the standardised blades have allowed GEC to tool up with standard, highly productive machines for shaping them. Manufacture of blades is concentrated at Rugby, backed by a £2.5m research and development effort continuously to improve blade performance, shared between Rugby and Trafford Park.

Spiral

Kalderon, who doubles as assistant managing director and engineering director, says the modular design has enabled the company to start a "benevolent spiral" of diminishing lead times and diminishing factory production and site erection costs. More specifically, the extra strong blading has enabled the company to remain internationally competitive in a market with 13 major manufacturers active in the export market.

Another high-technology part of the machine is made at Stafford, where GEC has concentrated its generator division. The generator, spun by the steam turbine at 3,000 or 3,600 rev/min, produces the electricity but accounts for only about 10-15 per cent of total cost. GEC has standardised on the former AEI design, with refinements drawn from the English Electric design. Generator and turbine come together for the first time at site but the engineering, as they say at Stafford, "comes out of the same computer."

No other generator manufacturer in the world, it claims, is assembling these monstrous machines in clean manufacturing conditions of the kind it is installing. Components such as rotors, weighing up to 175 tonnes, glide on air cushions from station to station. There are five clean bays for assembling stators (stationary windings) under bright lights, air-conditioned and painted in gleaming yellows and reds. The logic is that a particle of metal no bigger than a pinhead may cost £10 to keep out of the windings but can cost £50,000 to find and repair when sealed in and being agitated by the spinning magnetic fields.

In the opinion of Bob Davidson, the new turbo-generator design has been the great unifying factor in welding three companies and four factories into one team with a single objective. "People want to identify with success."

The first export order for the new design was obtained in 1975, for four 600Mw machines for Duvha, a coal-fired station in South Africa. The first entered service in 1979. The tally today is 36 machines ordered of the new design, of which eight have been commissioned. In all, GEC has taken 11,300Mw of export business since 1975.

By comparison, NEI, Britain's other manufacturer of turbo-generators, which delivered 5,800Mw of export orders in the mid-1970s, has taken only 1,600Mw of export orders in the same period.

A decade ago, 85 per cent of GEC's business was coming from British electricity companies. Today, 91 per cent is from overseas. The order book totals £1.28bn, including orders worth £730m taken in the current financial year. Sales this year are forecast at £272m. Yet not for eight years has Davidson received an order from CEGB, formerly the mainstay of the British turbo-generator business, he observes wryly.

Executives make no attempt to disguise the fact that they want still more business. Currently the company is running at half the capacity they believe they could meet, less than 3,000Mw a year, compared with 5,000Mw. "And it wouldn't take much more additional investment to move to 6,000Mw," Davidson says.

Hugh Routledge

(L-r) Jim Cronin, Bob Davidson and David Kalderon: their major objective was to reduce the four years it took to build turbo-generators

Viewed internationally, the turbo-generator business, though well down on the mid-1970s, is still brisk, with orders for some 90,000 Mw placed over the last four years (outside the Comecon countries). But both the U.S.—with little domestic demand since the early 1970s—and Japanese manufacturers became major international competitors in the 1970s.

In the present international market the company cannot afford to rest its case on the performance of the product alone. Too often the factor for machines costing up to £60m apiece is the financial package, says Jim Cronin, financial director and assistant MD. Often he travels with the sales director, ready to exploit on the spot the considerable corporate financial muscle of GEC itself, in such matters as the currency in which power station contracts stretching up to eight to ten years ahead are negotiated.

This freedom for manoeuvre seems to be rooted in the profitability of the turbine generator company, which executives hint is of the order of 10 per cent of sales (pre tax).

Davidson estimates that, over the last four years, GEC Turbine Generators has won 11 per cent of a world export market for 103,400 Mw. Only Mitsubishi secured more megawatts, he claims. In the mid-1970s the company ranked eight in the Think-Tank report on the UK power plant industry with only an estimated 5.1 per cent.

BOARDROOM BALLADS

CRYSTAL BALLS

When we come to review
What the managers do
Which explains their superior rating,
We are told it is due,
And their salaries too,
To the size of decisions they're making.

★

And "we won't" or "we will"s
A particular skill,
In the managers mainly residing,
Which the rest of the guys
In the management's eyes
Cannot match when it comes to deciding.

★

Which accounts for the flair,
And the infinite care,
The meticulous search for precision,
Which he daily deploys
In pursuit of the joys
Of the art of the business decision.

★

But the possible shock
Of his head on the block,
And a nasty response in The City,
May explain why he's prone
Not to go it alone
Till it's nicely diffused in committee.

So some time may elapse
In the future, perhaps
Till he rises above his defences
And, unthreatened by blame,
Can quite openly claim
The applause for its best consequences.

★

So with so much at stake
On decisions they make,
It has entered their corporate noddles,
That the learned professors
Might lessen the stresses
By recourse to computerised models.

★

Since professors are prone,
As is commonly known,
To respond to the hopes of their clients,
They dispense as equations
Bizarre divinations
Disguised as a forecasting science.

★

But decisions, my friend,
Are a means not an end
And it's "how" more than "what" that may matter;
And the wise are, as ever,
More use than the clever—
Since there's more to decisions than data.

Bertie Ramsbottom

Next Week: Business and government

THE ARTS

Television

Doubts about reality

by CHRIS DUNKLEY

With this week's episode about the investigation of a garage robbery BBC1's *Police* passed the half-way mark. Despite the distraction of its notoriety the series really is one of the most interesting on television and it has already gone a considerable way towards accomplishing what I take to be its purpose: to show the Reading police routine as it really is, and to stand in juxtaposition to *The Sweeney* and *The Gentle Touch* in the way that (say) Mayhew's *London* does to Trollope's novels—de-mystifying and de-glamorising the image gained by the public from the fictional entertainments.

If not the most compelling of all current television series (that title goes to *Muck and Brass*) *Police* is certainly not something I would want to miss. But after seven episodes I am convinced that it suffers from a serious, indeed a fundamental, error.

Ten years ago I thought that Roger Graef and Charles Stewart (hereafter G and S) with their fly-on-the-wall filming techniques and their purist presentation (fades-to-black, captions announcing the passage of time) and above all their declared determination never to be caught interposing themselves between subject and viewer, stood at the very apex of documentary film making. The programmes in *The Space Between Words* with their insights into group communication and lack of it were impressive and even seminal.

They were also clearly in a line of tradition, or perhaps more accurately a line of philosophy in that it has been the aim which has remained constant while the techniques have varied, sometimes wildly. Very broadly the aim of the documentary maker has always been to use film as a journalistic tool of an entertainment medium.

All sorts of different ways have been tried. In his clearly political approach John Grierson, a pivotal character in the history of the documentary, could be accused of deliberately over emphasising the supposed nobility of work and sentimentalising the dignity of the worker. But then Grierson once defined documentary (and, having, as I now realise, misquoted the phrase on this page twice before I offer the authentic version after acquiring a secondhand copy of "Grierson On Documentary") as "the *creative* treatment of actuality"—my italics.

At the very start of the tradition there were documentary makers who were willing to carry that "creativity" up to and beyond the point of using professional actors. In television today we have another such group, represented at its best by Leslie Woodhead who in his Drama-Documentary Unit at Granada has developed the use of actors and scripts to recreate as accurately as possible events which are normally denied to our sight behind the iron curtain. Last year he used this method to document the destruction of the Czech Spring in *Invasion* and the birth of Solidarity in *Strike*. One of the hallmarks of Woodhead's work is the explanation he offers the viewer of his sources, his methods and his assumptions before he begins.

Right on the other side of the spectrum is a school of documentary filming which has always saved its deepest reverence for raw data. It could be argued that these film makers are a small sub-section of a much larger movement which began with men such as Mayhew. He was passionately concerned with the recording of mundane detail and obsessed with the counting of beads, activities which were later to preoccupy Mass Observation (closely involved with the documentary movement) and which can now be seen running riot throughout the top-heavy world of sociology.

Here the aim is not interpretation, but the collection and delivery of data "untouched" as it were. Ten years ago, in contrast to the doubtful manipulation then going on in so many other traditional documentaries, that technique as it was used by G. and S. looked pure and honest. Now, after a decade of argument over which documentary method is more truthful, which more misleading, it looks nowhere near as simple. If we have learned anything about documentary in the seventies it is that there is no such thing as a more or less trustworthy method — only more or less trustworthy producers.

Having followed their work fairly closely I believe G and S are more than usually honourable, but for the casual viewer or any newcomer there is no instant litmus test for the trustworthiness of programme makers any more than there is for print journalists. The viewer must learn to discriminate by trial, error, experience and comparison. Occasionally, however, there is internal evidence, the simplest form of which can — and I believe should — be deliberately supplied by the producer, in some such form as Woodhead's explanatory introduction.

Brian Kirk as an interrogator in The Police

The argument most frequently raised against this is that it is an audience loser, and when you consider the sort of promotion that *Police* has been given — not just the highly effective publicity, but its peak time slot on the BBC's more popular channel — you can understand the fears. Yet bright producers such as G and S ought, surely, to be able to manage a quick introduction which is neither solemn nor boring but on the contrary both an explanation and audience booker.

Elsewhere in magazine features and studio discussion, G & S may well be disclaiming any suggestion the *Police* gives a definitive or fully comprehensive picture of Britain's many independent regional police forces. But most viewers of the series won't know that. They will see the programmes themselves and what these clearly seem to be saying is "This is reality. There's no faking here, no manipulation, just the truth, the whole truth, and nothing but the truth." But how can that possibly be so when the pictures on screen represent only a carefully selected fraction — anything from a tenth to a fiftieth — of what G & S have chosen to shoot?

The other internal evidence almost all disappears in this mammoth editing process (we don't even know whether events are chronological) but occasionally scraps stay in. In programme 1 for instance, the interview with the besieged man sounded suspiciously like a worried attempt by the police to justify what had clearly been a vast over-reaction —an attempt which would surely never have been made but for the camera. Suddenly one realised that these programmes are telling us what happens in a police station *when a film crew is present.*

Then, after thinking throughout the rape programme "Well, whether or not this is what it usually sounds like, at least you can be sure this is what it looks like" the camera drew back for a rare shot including the sound technician with headphones, tape recorder, umbilical cord, mike and so on and the sudden realisation struck that what the camera perpetually excludes is the crew's own presence.

In the end it must be admitted that what we are allowed to see is a highly selective view of the routine in one police station; short of slinging electronic cameras from the ceiling of every room and going live to the nation's television screens in real time for a week it cannot be anything else. Editing, selection and rejection, in short a subjective impression from the producers, is unavoidable.

But the longer the series goes on, the clearer it becomes that the most fundamental drawback is self-imposed. To take a crew into a police station with a number of pieces of film and sound recording equipment and to stay there for month after month observing everything, then to come out and attempt to convey to the public the gist of what occurred by using just scraps of what was recorded on the machines while withholding everything recorded in the minds of the infinitely more adaptable and sensitive humans, sounds like a perverse form of charades: the communicator allows himself to do everything but actually talk. The essential job of the journalist — elucidation and synthesis — is sidestepped.

I have a powerful suspicion that two lines of commentary in the rape episode explaining the familiarity of the Reading police with the alleged victim —a familiarity which I suspect was known to the woman, the police and the film crew and hidden only from poor old Joe Public—would have radically altered the entire programme.

Does this mean that *The Space Between Words* would also have been better with commentary? Perhaps so, but I believe there is a crucial difference between the two series: *Words* was obviously concerned with the particular, whereas *Police* (even if G and S see it as limited to the particular) is seen by the public quite predictably as an illustration of the general.

A scene from 'Mascot'

Films from the East

by NIGEL ANDREWS

The yearly harvesting and displaying of Hungary's new feature films subjects visiting critics to marathon eye-and-ear duty, uncasing 24 movies in four days. Hungary is almost certainly the only Eastern bloc country today who could produce that quota of watchable movies. Czechoslovakia used to run its neighbours close in pre-1968 times, but proffers thinner fare today. Poland has suffered a grim and indefinite setback. And Russia herself, though prolific, makes up the bulk of her output by supplementing her few masterpieces with stultifying period films, Soviet soap-operas, and great wodges of awful hagiography portraying Dostoevsky, Chekhov et al as myth-haloed waxworks sitting at Parnassian writing-desks.

Hungary too has its occasional cinematic grooves, and the latest of these is a rooted time-entrapment in the post-war Stalinist years. Pal Gabor's *Angi Vera* popularised the retro-surgical trend for excavating, like cancers, the propagandism and Party despotism of those times. But one is tempted to cry, "Physician, heal thy present self!" as films like *Dog Before Yesterday*, by Peter Bacso, *Requiem*, by Zoltan Fabri, and Gabor's new *Wasted Lives* unspooled this year in dense succession, harping on the trauma epoch of the late 1940s, early 1950s.

The best of these is Bacso's, which is about love among the rubricks of early Stalin-bine dogmatism, and how political arm-twisting and weathering, withering years of compromise force a girl to betray two successive boyfriend - beloveds. Bacso made the long-banned satire on Stalinist times *The Witness* (1969), which survived to buzzes in Cannes last year and will soon reach London. *The Dog before Yesterday* has a windy-ish plot, but there is much bite and bile and colour along the way.

Fabri's *Requiem* is a celluloid cadaver, winding-sheeted in silly and interminable dialogue scenes and memory-games which has been unaccountably picked as the official Hungarian entry by the ever-more-aberrant Berlin Film Festival. More about that, or possibly less, anon. Gabor's newest opus is several megawatts dimmer than his *Angi Vera*; chiefly because Poland's Jan Nowicki — an aging and ubiquitous romantic lead in both countries — moves woodenly through the putatively soul-baring role of a rebel building-engineer who falls out of Party favour and in love with a young activist.

Peter Gothar's *Time Stood Still* is by far the best of the year's Hungarian films and is set a telling decade-odd later. Indeed, its time-zoning is trinary, starting with a black-and-white prelude in 1956, jumping for the body of the film to 1963 and ending with a postlude in 1967.

Gothar has perhaps seen Fassbinder's films—or perhaps he hasn't — but this chronicle of squalorous, infernal school-days has a stylised Hellishness that is riveting. Gothar pounds smoke into the background of his scenes to diffuse light and to lend mystery-and-menace. It whorls above rain-slecked streets, it fogs bars and dance-halls, it steals like a miasma even into the classroom. It's as if the reek of battle hangs over Hungary's post-war young.

Two brothers trying to joust at the present and the future while straining with the mill-stone of the past (their father fled in 1956, their deserted mother remains haughty, bleak and wasted) are the story's human centre. But its heat and heartbeat are as much in the surrounding throng of brilliantly credible grotesques. Pornographic photos change sweaty hands in the school corridor; a smug new lady teacher introduces herself with: "My name is Pigtace; I'm 58 kilos, married;" dreams of flight-to-America pop up through the schooldays *Weltanschauung* and the strangling smoke; Elvis Presley throbs on the sound-track as the kids stage a vandalising raid on the school; the dark blue light of a hospital stairway at night rinses a rancid-sexy seduction scene.

Time Stood Still is the most startling Hungarian film—both visually and viscerally—since the early revelations of Miklos Jancso. It was also the only Hungarian film of this year to span both the polar worlds in the year's selection. It encompasses Stalin-era anxiety but it also foreshadows the rebellious, youth-centred, Rock'n'Roll-rocked Hungary that erupted in films like *Concert*, *Bald Dog Rock* and *Mascot*.

The first two are band-on-the-run docu-dramas: *Concert* sketching for us the rise and fall of a top 1960s Hungarian pop group called "Illes" (the country's first rock stars to sing in their mother-tongue and to have a record banned for controversial lyrics), *Bald Dog Rock* following the songs and strutting of a punky group startlingly Western in style and sound.

Janos Rozsa's *Mascot* ran Peter Gothar's film a close second as the Best of the Year. Like Rozsa's London-seen *Sunday Daughters*, it's a raptly humanist and engrossing study of teenage "delinquency." Julianna Nyako—the earlier film's star—and Zoltan Jakab play the all-but-orphaned brother-sister soulmates tossed about in a sea of anomie by their parent's separation and child-proof self-preoccupation. Jakab (age 11) bounces from petty crime to remand home to flight while Nyako keeps trying to take him under her own frail-feathered wings.

It's a funny, sad, nimble-footed film that has the pluck to leap between narrative essentials and let the audience fill in the transition for themselves. Truffaut might have made it—back in the years before Truffaut lost his own nimble-footedness.

Elizabeth Hall

Yury Egorov

In the short time that the young Russian pianist has made himself known to British audiences, it has become clear that his talent demands measuring by the highest standards. Measured by those standards, Monday's recital was a considerable disappointment. The Elizabeth Hall, only half filled, is never a place to be counted upon for the reliably attractive presentation of any instrument; in addition, it seemed a particularly dull-toned instrument on which Mr Egorov had been invited to perform. But when these allowances have been made, there was a kind of colourlessness, a dullness of response, in the Chopin Studies Op. 10 that filled the first half, and even more in the Debussy Preludes (Vol. 2) that filled the second, that one was forced to ascribe to the player himself.

It was the spirit of the playing that seemed dulled and discoloured: for its purely physical manifestation showed, as expected, prodigious capabilities. There was a bounty of fleet, accurate passagework in the fast studies, much limpidly phrased lyricism in the slow. Yet the properly balanced relationship between intimacy and dramatic tension, which can lend the whole sequence an inimitable glow of vivacity, was only fitfully struck. In no. 8, in F, most surely: a sense of the dance rhythms that Chopin subtilised into its compound came suddenly through; in no. 9, in F minor, also, sung with a quality of passionate, poetic waywardness; the arpeggiated E flat, no. 11, was floated and sustained with excellent control. Too often, for the rest, the scale of the performances seemed domestic in the wrong way, and dramatic projection tended to go by default.

If Mr Egorov's Chopin left an oddly damped-down impression, his Debussy seemed simply unidiomatic. Again, a failure of dramatic intuition and projection became crucial in evoking the ironic portentousness of General Lavine and S. Pickwick Esq—these were delivered entirely at face value, with no resource of wit or nuance brought into action. The extraordinary facility and tonal control that Mr Egorov commands came to seem abstract virtues.

MAX LOPPERT

Purcell Room

Endellion Quartet

This excellent string quartet has evidently acquired a loyal following, one which will soon overflow the Purcell Room. For now, the Endellion sound is ideally gauged to that hall: fortissimo peaks are well scaled, never too high for comfort in those close quarters, and at middling dynamic levels the quartet's even voiced lyrical quality is a delight to the ear.

All the works in Monday's programme were confidently planned, thoughtfully modelled, with enough intimations of stress and challenge to keep musical argument alive. Their Beethoven—the 2nd "Rasoumovsky"—made notably much of the recurrent syncopated-chord passages, suggesting continual anxious pressures behind the music.

A similar feeling informed the Schubert *Quartettsatz*, without *pulling* it out of shape—though the beginning and end fairly buzzed. The balanced episodes of Ravel's Quartet were set out with idiomatic smoothness, but coloured imaginatively; the Finale was a particular success, for once seeming neither inconsequent nor frantic. Some earlier passages would sound more magical if the Endellion cultivated a truer pianissimo (the opening of the Beethoven scherzo missed that too), and a steadier collective pulse in slow, sustained music.

The Endellion leader doesn't always allow himself the touch of flamboyance that is his due: there are, after all, points where the music *counts* upon the first violin to come in like the returning voice of authority. These are marginal reservations —the Quartet already stands out among the latest generation of British ensembles.

In the afternoon, Radio 3 had broadcast the new Endellion recording of John Foulds' *Quartetto Intimo*, a brilliant late work of that now-obscure composer, splendidly played. Foulds' much earlier *Aquarelles* for quartet occupied a modest place in the Purcell Room recital. This little set consists of two pleasant Edwardian exercises on folk songs, and between them a Blake-inspired lament containing some experimental harmonies, thumpingly unsubtle.

If string quartets were in the habit of playing encores, the outer movements might serve.

DAVID MURRAY

Hammersmith Odeon

Alice Cooper

by ANTONY THORNCROFT

Wrestling on stage with a boa constrictor; whipping a girl in black underwear; castrating a guitarist with a sword point — it must (yawn, yawn) be Alice Cooper. The originator of rock theatre, the epitome of bad taste, is back after five years, years in which shock and outrage have become the short change of television and the everyday story of urban life.

Even so, there was a large audience willing the skinny 34-year-old with the Samurai top knot, red codpiece, bared chest, and black-eyed cosmetics to do horrible things. "Come on Alice, come on, son," constantly encouraged the man behind me in a persistent undertone for all the world like a manager egging on a flagging boxer. And Alice Cooper managed a very good show.

The actual theatricals may have lost their impact, although there are still few singers who begin a number clowning with a crutch and end it feeding a large snake to the audience, but Alice Cooper has the considerable advantage of some strong material. He concentrated on old favourites, and it was good to hear again "Only women bleed" (performed bending over a rag doll who, at the climax, turned into a woman and stretched up to strangle him), followed by "No more Mr Nice Guy." And it was, at least, a change to hear a crowd roaring in approval as Alice won a battle of the whips with the corsetted blonde: no feminists here. Now he offers no threat you can relax and enjoy an interesting singer of strident material performed in popular fantasies by a decent band.

Work to begin on new British Library

Work on the new British Library building is expected to begin in March. A contract worth £5.223m for work on the first stage of the new building in Euston Road, London, has been placed with Lilley Construction.

When completed this stage will provide some 30,000 square metres of usable space for essential book storage

THEATRES

CONTINUED ON PAGE 27

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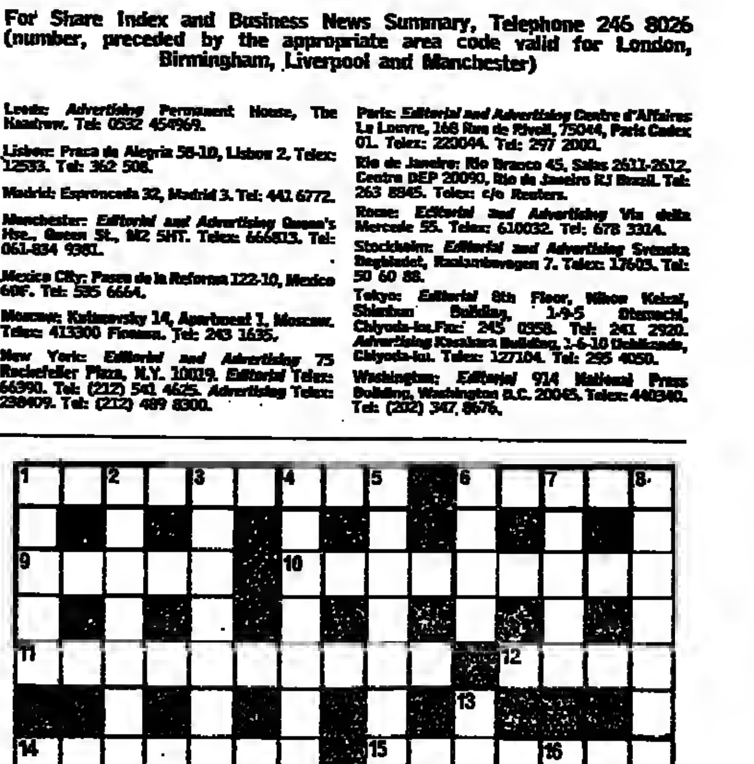

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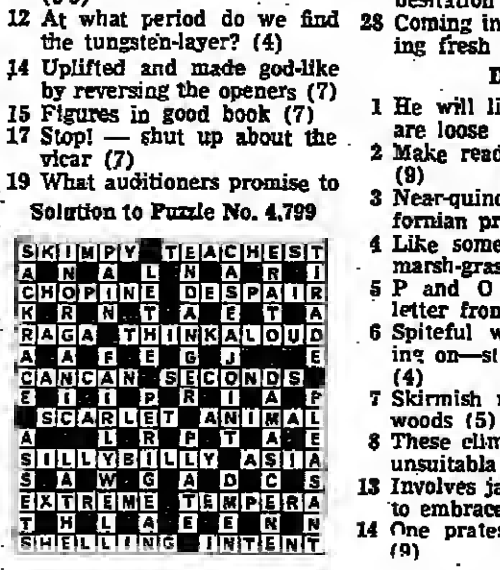

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Wednesday February 17 1982

A formula for productivity

YESTERDAY'S court of inquiry report on Aslef's dispute will, it must be hoped, lead to a new era of improved productivity on the railways as well as an end to the recent strikes. Both sides in the dispute have had a chance in recent weeks publicly to air their genuinely held grievances. Now they should work together to reverse the poor efficiency and ailing finances of their industry. Neither the railways nor the country can afford any more delays in the introduction firstly of the flexible rostering arrangements which Aslef has been resisting, and secondly the rest of British Rail's productivity programme.

Two issues

Lord McCarthy and his two sidemen on the court of inquiry had a difficult task in preparing their report, not least because Aslef refused to attend the hearings. The main issue turned on whether a 3 per cent pay rise and a commitment to productivity agreed at the same time last August were inter-dependent and conditional on each other. British Rail was prepared to pay the money but was determined that it would only do so when Aslef withdrew its opposition to work rostering arrangements accepted by the two other rail unions. Aslef said the two were not connected and struck for the 3 per cent.

Yesterday's report neatly bridged the gap, but tilted more than one might have expected in Aslef's favour. It said the two issues were not conditional on each other and it condemned British Rail for its unilateral action in withholding the 3 per cent more than it did Aslef for striking. Having thus soothed Aslef's prejudices, the report then went on to say categorically that "the two agreements are obviously related in that they would not have been signed without each other."

The report sets out a timetable which must now be speedily implemented. This involves, first, the payment of the 3 per cent, and then the processing of the productivity issues through the railways' labour relations machinery by the middle of next month. That would leave yet another period of delay in introducing the productivity improvements, but would be tolerable if a major advance is then achieved.

It is possible to sympathise with a proud craft union like Aslef which finds itself being swept up by technological change and the need for increased efficiency. But the taxpayer and the railway traveller must be considered, too, as must the rest of the railway industry which seems at this stage far more willing than Aslef to accept change.

Much weaker

The price for the blood-letting of the past few weeks has been considerable, not least for the industry itself which is in a much weaker financial position than it need have been because of the business it has lost. Current losses due to the strikes alone total some £85m and another £30m could be lost during the coming year because of freight business that will not return. That is not the best starting point for an industry which wants major investment projects for electrification and rolling stock replacement approved by the Government.

British Rail must share some of the blame. With hindsight, the interpretation of last August's conciliation agreement was not the strongest of platforms on which to take on Aslef. Arguably Sir Peter Parker, as the industry's chairman, also ought to have done more to sell the productivity improvements, and the rostering issue in particular, to the train drivers.

But whatever the rights and wrongs of the dispute, it is now time for British Rail and Aslef quickly to agree how the productivity gains can be achieved. The Government should state publicly that the survival of the railway network and, more importantly, ministerial approval of electrification projects, depend on productivity being delivered.

Question

Aslef may have won its point in pure labour relations terms, but it has few if any supporters for its opposition to productivity changes. Continued resistance will inevitably raise the question of whether the UK needs a railway system at all.

The Canadian anachronism

THE REAL battle at Westminster about Canada's constitutional future begins today. The House of Commons takes the second reading of the Canada Bill sponsored by the Canadian Government, and the indications are that there may be vocal opposition, followed by guerrilla warfare at the committee stage.

The final outcome is hardly in doubt since both the Government and the Labour Party have accepted the principles of Ottawa's proposals. It is hard to make out a case for prolonging Westminster's prerogative to make basic changes to the manner in which Canada is governed.

In practice London more than a century ago ceased to interfere directly in Canadian affairs. But because in 1931, when the Statute of Westminster made Canada an independent dominion, Canadians could not agree on a formula for future changes to their constitution, they left the ultimate right of amendment with the British Parliament.

Only last November could Mr Pierre Trudeau, the Canadian Prime Minister, marshal nine of the 10 Canadian provinces behind the Canada Bill now on the order book at Westminster, and behind an amending formula providing provincial participation in future constitutional change.

What Mr Trudeau did not do was to soothe the bitter objections of the Quebec Government of Mr Rene Levesque, or of the representatives of the 300,000 Indians in Canada. Both Mr Levesque and the Indians are afraid that the Bill diminishes their established rights and cuts across their ambitions for the future.

Difficult

Their objections have been taken to court. On November 28 the Court of Appeal in London dismissed a case brought on behalf of Indian associations. All three judges arrived at the conclusion that Indian rights are a Canadian, not a British, responsibility. That ruling may yet be tested by the Law Lords.

Indian rights are a difficult matter, which has caused some breast beating in Canada. For centuries Indians were treated scurvily by the white man. They live well below the health and wealth standards of other Canadians. The Canada Bill guarantees but does not define their existing rights, leaving the way open for many a dispute. What, for instance, happens if one of the gigantic Canadian projects for energy development, which come under the responsibility of the respective provincial government, threatens to destroy the hunting grounds, guaranteed by treaty, of an Indian band?

Quebec's case against the Canada Bill rests upon the argument that the province, as spokesman for French Canadians, has a constitutional right of veto in Canada which, Quebec says, was born of a compact between British and French Canadians. The denial of such a veto in the Bill caused an explosion of separatist feeling in Mr Levesque's Parti Quebecois.

Dangers

He does seem to have brought the hotheads under control, ranging the party behind his own approach that sovereignty, and maybe ultimately independence, must come slowly and only in economic association with Canada and with the support of a majority of the electorate of the province. But the episode does point to the dangers inherent in Mr Trudeau's having gone ahead without Quebec's approval.

That is a political matter and should be his headache—not Westminster's. But there also is reason to suppose that Mr Trudeau would like the Canada Bill to go through quickly enough to forestall Quebec's case against it. The Quebec Court of Appeal is to hear the case on March 15, and it will probably go to the Supreme Court of Canada. If such really are Mr Trudeau's tactics, they do smack of sharp practice.

Mr Trudeau, in another case, already has the ruling of the Supreme Court of Canada that his proposals are lawful. His success with the constitution would look all the better if the pending legal cases were first settled. On the other hand, his opponents would be unwise if they tried to drag out the matter by bringing a succession of further cases at law.

Unless the Law Lords re-open the case of the Indians these are matters for Canadian courts and, above all, between Canadian politicians. The latterly more understanding official attitude to the Indians is a good beginning. The Quebec problem is not one that London can solve for Canada. The Canada Bill ought to go ahead.

BANKS AND FOREIGN DEBT

'We're torn between two worlds'

By Peter Montagnon, Euromarkets Correspondent

A FAINT but perceptible shiver of anxiety ran through the eurocredit market recently when it became known that Ireland has a greater foreign debt per head of its population than Poland.

If it is true, people said, that Ireland's per capita debt amounts to some $1,525 whereas that of Poland is only $730, then surely sooner or later Ireland will join Poland on the slippery road that leads to crisis, rescheduling and possible ultimate default.

Now Ireland, which until recently has been one of the most popular borrowers in the Euromarket, suddenly finds itself on the defensive.

In fact Ireland's per capita GNP is far higher than that of Poland, its per capita debt lower than that of Belgium and its foreign exchange reserves a healthy I£1.47bn (£1.18bn) while Poland in its darkest hours has had virtually no reserves left at all. And most serious minded bankers are losing little sleep over Ireland.

The point, they say, is not whether Ireland actually needs to reschedule—such a development is viewed as being most unlikely—but rather that reaction to its latest statistics highlights the new mood of nervousness and caution that has enveloped the world of international banking.

To put it bluntly the time now appears to be coming when commercial and central bankers alike feel that deficit countries will no longer be able automatically to turn to the international credit markets as their first port of call.

Not only will this throw an even greater burden on multilateral agencies such as the International Monetary Fund and World Bank; it also puts commercial banks in a terrible dilemma as they chase a diminishing amount of credit business that is both safe and profitable.

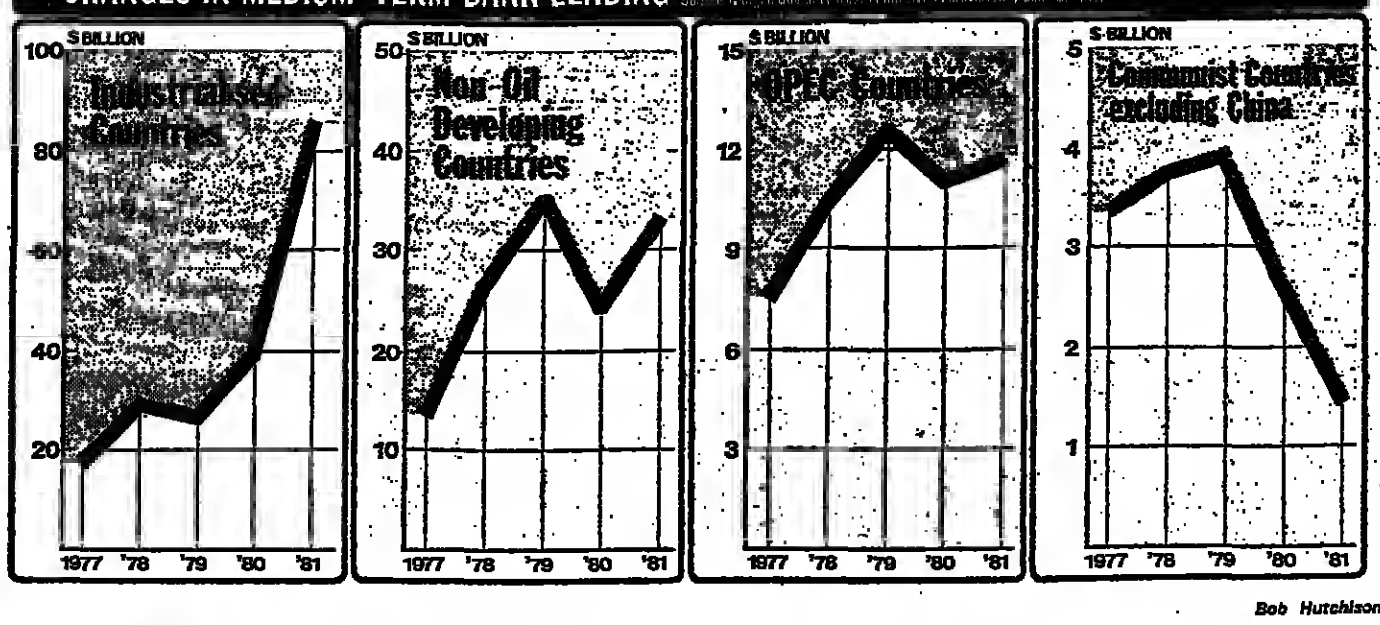
The euphoria that characterised the rapid development of international bank lending in the early and mid-1970s has all but evaporated. Poland's debt crisis—and this is a critical week for Poland—has given the system a rude shock. But equally disturbing, bankers say, is the growing list of countries that have proved unable to service their debt on time over the past two years.

At latest count this list includes Zaire, Turkey, Togo, Sudan, Liberia, Madagascar, Nicaragua, Pakistan, Senegal, Bolivia, Vietnam, Costa Rica and Romania as well as Poland.

Many bankers also fear the list is bound to grow as borrower countries wrestle with the problems of high real interest rates, high oil prices, recession in world export markets, low commodity prices and, in some cases, political instability and economic mismanagement at home.

As a result banks are now scrutinising sovereign credit risks more closely than ever before. Nowhere has their reluctance to do business with what are now perceived as bad risks become more conspicuous than in Eastern Europe.

CHANGES IN MEDIUM TERM BANK LENDING



Bob Hutchison

"Even Hungary," says one banker, "could not raise a medium-term loan in today's market." Hungary used to be the most popular credit risk in the whole Eastern bloc, but now at least one major Swiss bank has dropped all dealings with it in the wake of the Polish and Romanian crises.

For almost a year there have been no major syndicated credits to any East European country, and Yugoslavia, which is implicated in the debt affairs of Comecon only by its *geographical position, failed* in its first attempt to raise a $400m syndicated credit at the end of last year.

No bankers will admit to the real likelihood of a formal default being declared against any of these countries, but in the present tense climate of East-West relations there must always be the possibility that such a default may be precipitated for "political" reasons. Certainly all Comecon countries face a bleak and austere future, largely because of the Polish crisis.

In the developing world, which has total debts of some $525bn, the caution is less obvious but still apparent.

"Up till now I don't think anybody is suffering from not getting the money they need," says one banker specialising in Latin America, "but loans are selling with much more difficulty than before.

"There is a lot of short-term borrowing going on through brokers, the sort of thing which happens when countries can't borrow easily in the syndicated loan market."

In fact January figures from Morgan Guaranty Trust revealed the slowdown in the syndicated loan market in the most dramatic way.

Not only was the monthly total of new publicised euro-credits—at $5.1bn—the lowest since last May; developing countries also took a share of only $422m, whereas in December they had raised $2.3bn and in January 1981 as much as $3.1bn.

There have been signs of a pick-up in the market since these preliminary figures were compiled, but no one expects 1982 to be another record year in the syndicated credit market, breaching the total of $133.2bn raised last year. About $45bn of this was in any case raised by U.S. corporations in connection with the takeover fever that hit Wall Street in the middle of last summer.

Some countries are clearly going to have to make do with less money from the market in 1982. "Lesser credit risks are likely to encounter increased *resistance and demands upon* official institutions for concessional credit are likely to grow," says the Paris-based Organisation for Economic Co-operation and Development (OECD).

As money becomes tighter many countries will also have to curb economic growth so as to reduce the need for foreign finance—Brazil, which needs to raise about $14bn abroad this year, induced a serious industrial slump in 1981. Mexico, whose gross foreign requirements are about $20bn, is trying to trim its growth rate to about 6.5 per cent from 8 per cent.

Countries which retain a reasonable rating will also try to expand their borrowing into new markets such as the U.S. bankers acceptance market or the sterling acceptance credit market. Both these markets are traditionally domestically orientated and supplied by lenders whose main business is not usually international. Both saw a rapid expansion of foreign business last year.

Alternatively they may have reluctantly to accept an increase in the margins they have to pay on syndicated loans in the hope of attracting old lenders or new ones.

Last year this problem was made easier by the sudden increase in lending by Arab banks. The Bahrain-based Arab Banking Corporation, for example, managed syndicated credits with a total value of $16.12bn, almost four times its volume of 1980.

Kuwait Foreign Trading, Contracting and Investment Company participated in loans totalling $6bn compared with only $1.3bn in 1980.

Few bankers in the Gulf believe, however, that this sort of growth can be maintained in 1982. Arab banks are becoming increasingly selective in their wish to avoid the extremes of safe low margin business or risky, high margin deals.

Japanese banks have also lent much more abroad over the past year, but the Ministry of Finance in Tokyo shows signs of becoming much fussier about the price and quality of credits in which banks under its control participate.

Nor will it be easy for developing countries to diversify their source of funds to other markets. Obvious alternatives such as the international bond markets and the commercial paper market in the U.S. require an impeccable credit rating. In the bond markets this has been all the more true since the debt crises of Poland and Costa Rica. Both of these countries have eurobonds outstanding.

"Debt finance by itself is not going to be able to take care of the current account imbalances likely to arise in the near future," says Mr C. M. J. Whittington, Head of the International Division of Morgan Grenfell.

He suggests that lenders should begin to consider providing more equity finance rather than straight loans. This would require a radical change of attitude among developing countries who prefer to retain majority control over their own projects and industries. But it would at least free them from the awful burden of debt repayment.

Mr Henry Wallich, a Governor of the Federal Reserve Board, by contrast is more concerned with the economic implications of a slowdown in lending.

"What one can say for certain," he says, "is that a continuous rise in debt relative to debt capacity is not feasible. At some point there must be a levelling off, so that the debtor economy and its debt burden grow at the same rate. For most countries, I fear, this transition is still ahead. The need to navigate it is one of the problems of our situation."

It is here that two main problems emerge for the lending banks. First, there is the identification and treatment of countries whose credit-worthiness is *slipping* to dangerous levels.

This usually involves the negotiation of a rescheduling agreement, often involving the governments of industrialised countries as well as the negotiation of an economic programme with the International Monetary Fund.

Rescheduling allows for the orderly repayment of debt at a later stage once the borrower's economy has had a chance to recover. It is considered preferable to calling a formal default because it leaves open the possibility of eventual repayment. *By contrast, in a full-scale* default the debtor may simply repudiate his debts.

The second problem is in many ways more tricky. It is that of identifying borrowers whose business is both profitable and also a safe risk. OPEC countries may no longer be fuelling the market with funds, but many banks complain that they are still awash with excess money.

"We're torn between two worlds," says one American banker. "We're terrified about Poland, and at the same time we're very liquid."

Many bankers believe that the upshot will be an increasingly sharp divergence in the marketplace between the best-rated credits — such as Australian borrowers who are far removed from the political and economic upheavals of the rest of the world — and the worst risks in Eastern Europe and the weaker developing countries.

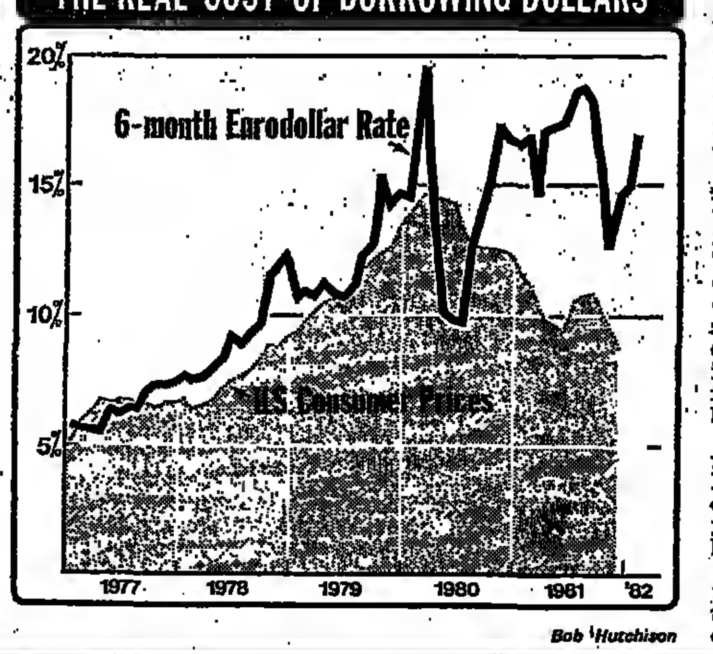
"Banks will certainly become less and less enamoured with a wide range of sovereign risks, but as they withdraw from that sector of the market, they will take a closer look at others," says Mr Mark Deverell, Divisional General Manager of Barclays Bank International.

"I think there could still be room for a fall in the profitability of lending to first class sovereign risks, and similarly to good corporate names. Unpalatable though this may be to lenders, it is at least explicable in terms of the quality of credit," he adds.

Gloomy though the outlook is, there are some crumbs of comfort for the poorer countries. Some developing countries such as India still find themselves able to borrow on the finest terms, which means a margin of less than ½ per cent over Eurodollar rates.

More important still, Turkey, after all the traumas of the last four years, is back in the Euromarket. It is raising a $76.5m 10-year credit for its national airline at a margin of 1½ points over Eurodollar rates. This is the first medium term loan it has been able to float since 1977.

THE REAL COST OF BORROWING DOLLARS



Bob Hutchison

Men & Matters

Notional pay

A rather different picture of the British worker than the shiftless study that usually appears in the public prints comes from Vauxhall Motors at Luton.

The company last year paid a record £139,748 in rewards to its employees for 1,895 cost-saving ideas they had suggested. Four workers — one in the shipping office, the others on the shop floor — earned maximum payments of £3,000 apiece for imaginative notions that saved the company money in such diverse areas as export insurance and number-plate mountings.

Vauxhall first started putting out the suggestion boxes back in 1942 and most of the first ideas it collected were concerned with improvements to the black-out and other air-raid precautions.

But the scheme quickly blossomed and, backed by intensive internal promotion, now yields an average of 27 ideas every working day from the 21,000 employees.

"Every year, slightly less than a third of the proposals are adopted," the company reports. "It is impossible to calculate how much the scheme has saved us over the years but it must run into millions."

"I still don't know which came first—the provocation or the retaliation?

Yale lock

They pride themselves on teaching sound business practice in the Ivy League halls of Harvard and Yale — but the Reagan administration would apparently prefer them not to practice what they preach.

Federal auditors monitoring the U.S. colleges' use of government grants and loans claim that they hold on to the millions of dollars disbursed by Washington for as long as possible to earn extra cash from the interest.

The auditors estimate that colleges bank the money for about 10 days on average before shelling it out to its intended recipients. Since the grants are sent out from Washington as often as once a week, that adds up to a lot of interest at the current rates.

Yale, which received $82m in grants last year, is said to have used it to make another $535,000 on the side.

What especially irritates Washington is that the colleges bank the money with the Federal Reserve which means the Government pays the interest and, in doing so, adds to the strains on the Federal budget.

The colleges retort that they are only doing what any sensible businessman would in banging on to the money for as long as expediency and business ethics allow. There would be criticism if they did not bank it, they say.

But rather than bite the hand that feeds them, it looks as if they will agree to pay out a bit quicker in future. So much for applied research.

Paper chase

You could be forgiven for mistaking scripophily for a board game marketed by Waddington's, but in fact there is growing interest in collecting and dealing in antique company share certificates and government bonds, according to Richard Jackson, secretary of the 600-member Bond and Share Society.

A few years ago, stock market punters saw Russian and Chinese bonds as attractive investments, and some burned their fingers. But in the past 18 months or so, the emphasis has switched to the intrinsic value of the often beautifully embossed certificates and the stories behind them.

Among the centrepieces of the society's international congress in London on March 7 will be an 1812 share certificate of the Theatre Royal, Drury Lane, as well as an American Express certificate hand-signed by Henry Wells and William Fargo, co-founders of the company.

In 1979 a Chinese bond from the Deutsche-Asiatische Bank—the 1898 gold loan £500 bond, of which only 12 were issued—fetched £14,000 at Stanley Gibbons. The congress auction will be a more modest affair, with prices ranging from about £8 to £125.

Certificates of companies that have gone to the wall more recently are in demand. Rolls-Royce documents, especially if gold-rimmed and car-embellished, could fetch up to £100, while Bernie Cornfeld's printed signature on an IOS bearer certificate could be worth £7 or £8, says Michael Veseid, the society's newsletter editor.

Among the overseas bonds on offer at the congress will be an 1862 U.S. Confederate States certificate, marked Very Fine—the society grades its items according to condition just like a stamp catalogue—which shows a certain "J. H. Reagan surrounded by three women." Perhaps even Ronald may find the £30 asking price too good to miss.

Flying pickets

Memo to Mrs T: good time for a coup. The leaders of Britain's labour movement are flying off today to Miami and will not be back until the weekend.

The purpose of the jaunt, on which are included Moss Evans of the Transport Workers, David Basnett of the General and Municipal Workers, Frank Chapple of the Electricians and Clive Jenkins of the white-collar *ASTMS*, is to allow the British unionists to tell their U.S. counterparts of their experience of living under monetarism.

Previous meetings between the TUC and its U.S. counterpart, the AFL-CIO, have proved fruitful. The AFL-CIO people are keen on the TUC's alternative economic policy.

Getting to Florida is causing the TUC a little embarrassment, however. Chauffeur-driven cars can overcome the effects of the rail strike, but not the strike of ramp workers now afflicting British Airways at Heathrow. The workers, members of Moss Evans' TGWU, intend to step up their industrial action today to include pickets on the long haul flights of the kind their general secretary will be taking to Miami.

I understand the brothers will play it safe. They are departing discreetly from Gatwick to avoid the "flying" pickets.

Observer

FINANCIAL TIMES SURVEY

Wednesday, February 17 1982

Pension Fund Investment

Last year was a vital one for the industry. Index-linked government stocks were introduced for the first time, more new money was invested overseas and a wide range of new vehicles for investment introduced. The effects of these developments on strategies are examined in the following pages

CONTENTS

Editorial production of this survey was by Arthur Dawson. Design by Philip Hunt

Christine Moir traces recent pressures which are disturbing a hitherto cosy relationship

Managers face up to the spotlight

PENSION FUND managers have always been under pressure to show a good investment performance record but traditionally they have only had to report to trustees who have been prepared to take a long-term view of their form. Moreover, the trustees in the main have had to accept the managers' own progress projections and estimates of returns.

In the past 12 months that cosy relationship has been rudely interrupted. In quarter after quarter outsiders have been studying their form and challenging them to substantiate their claims to a good record.

At the same time the fund managers have been forced by market and economic changes to re-evaluate their own performance by testing the returns from traditional investment media in the face of the much wider range of vehicles now available to them.

To cap it all this reappraisal has coincided with the maturing of technical performance measurement and investment accounting services which, for the first time, enable the managers' performance to be subjected to comparable and quantifiable scrutiny.

As we discuss in more detail in separate articles on these pages 1981 will be remembered for the great debate over whether investment managers can achieve an investment return in excess of wage inflation or not — and if they can, by how much. Ironically, the debate was not sparked off by any specific demand for a study of investment performance within the £55bn pension fund movement.

A by-product

Rather has it been a by-product of three completely unco-ordinated Government moves. First there was the surprise launch of index-linked gilt edged stock reserved exclusively for the pension funds. This was a Treasury/Bank of England exercise designed to attract investors back into gilts with the promise of a real rate of return at prices which could save the Government massive fixed interest payments in the future if it got inflation under control.

But the rate of return fixed by the Bank — initially two per cent but more recently closer to 3 per cent—focused managers could match this return from their traditional asset mixes.

The same question came up again as the Scott Committee reported on the thorny subject of who should get pensions indexed against inflation, once more when the Government Actuary began determining whether companies should get less relief on their National Insurance contributions in the light of their liabilities to private pension schemes not linked to the State scheme.

While all this was taking place the managers themselves were having to re-evaluate their traditional asset mixes and make important projections about a wide range of new investment vehicles.

Study after study revealed gilts portfolios as a poor long-term vehicle for the chase after inflation-proofed returns. In addition, there were now the specialist index-linked gilts. Property prices reached heights where even their most ardent supporters were advising that property might not be the automatic investment option it bad previously been.

MARKET VALUE OF TOTAL PENSION FUND ASSETS

Year end	1963	1971	1979	1980
	£bn	£bn	£bn	£bn
Private sector	2.8	6.1	23.6	29.5
Local authority	0.5†	1.4†	5.0†	7.3†
Other public sector	1.0	2.5	12.3	17.9
Total	4.3	10.0	40.9	54.7

† P and D estimate. Source: Financial Statistics.

British Industry was struggling in a recession without visible end which was reflected in highly volatile equities markets. At the same time the option of investment in overseas securities remained open in the absence of exchange controls—but for how long?

Then 1981 was the year of the management buy-out, legislation to encourage small business start-ups and much political pressure for institutions to back British industry by direct equity investment.

The specialist investment service houses took this opportunity to lay a range of succulent new specialist funds before the investing public and the pension funds alike. The menu ranged from currency switching to commodity portfolios, from international securities management to narrow domestic sector stock selections.

In one sense investment managers have been aided in reaching decisions on changing their asset mix by altering the balance in traditional sectors or by adding more or less venture capital, overseas securities and the like, by the fact that performance measurement became a reliable practical investment tool in 1981.

The computerised league tables, index comparison services and multi-currency programmes now available, particularly when combined with matching investment accounting systems, have made it much easier for investment managers to keep track of the results of past investment decisions and project the impact of any changes which might be under consideration.

But the blessing of quantifiable performance measurement has also been a curse in disguise. Like it or not, measurement services have focused attention on short-term performance. How has the manager performed this year compared with other managers or against the market indices? They have also been used in the debate over whether investment managers can beat inflation even over a long period.

Aside from all these pressures peculiar to 1981, the fund managers have also been contending with the inevitable problems attaching to an industry growing at the rate the pension fund movement is. (The accompanying table speaks for itself). As pension funds loom even larger in the securities markets can pension fund managers outperform the market or is this a philosophical impossibility?

Harder chase

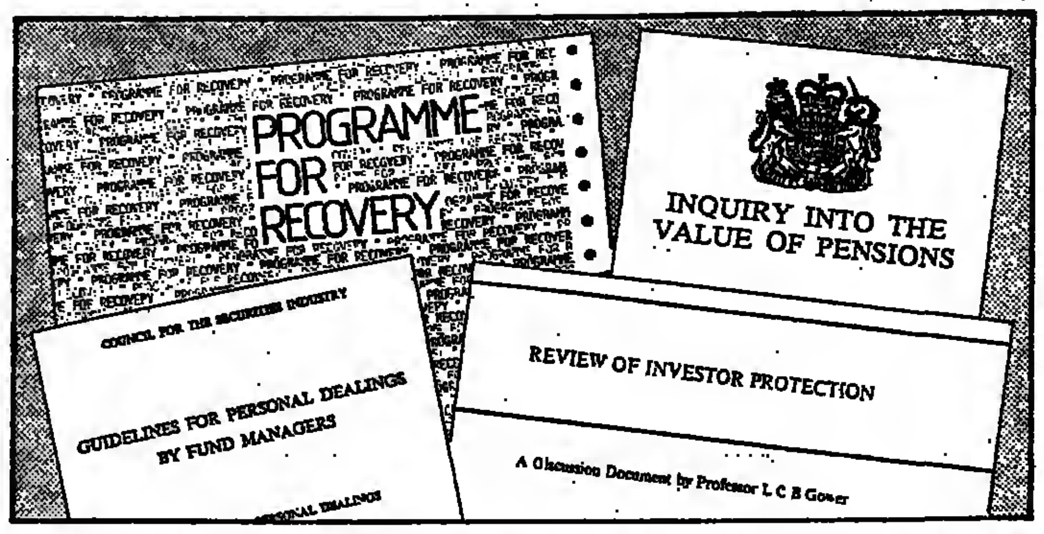
For some fund managers last year and this such growth problems are merely academic. They are having to chase performance even harder as the impact of redundancies among their contributing workforce has begun to show through in squeezed cashflow or plans for lower contributions by beleaguered company management.

Investment managers have also found the City authorities less sympathetic to arguments that they must be permitted to make investment decisions without interference. The Council for the Securities Industry has made little of complaints that performance is even harder to achieve when windfall profits from market raids are banned by City rules.

The spotlight on performance and the increasing complexity of investment decisions which will affect performance have begun to make a number of leading fund managers touchy about public attention. The National Association of Pension Funds too is crying "hands off" so far as statutory controls or changes to current practice imposed by government.

It is obviously a difficult time, particularly as both the Government and the Labour movement appears to be mesmerised by the sums of money which accrue in the movement. But public scrutiny and internal precision are no bad things if the profession is to survive into the next decade.

Debate widens over problems



AT THE BEGINNING of February the Trades Union Congress unveiled its Economic Review and revealed that its dedication to a British Investment Bank, which would be funded partly from the inflows to the pension fund movement, has, if anything intensified.

The concept of such a bank, which would channel upwards of £1bn into the rebuilding of British industry, now forms a central plank in the TUC's platform for economic revival and is likely to be consolidated —at least in spirit—in the Labour Party's forthcoming economic programme.

The TUC's desire to see the creation of a national, politically directed investment vehicle is not new. And there is little immediate chance of any government beginning to consider concrete proposals for a BIB. But the latest expression of the TUC's commitment underlines the growing political pressures mounting on the investment strategies of pension funds. The City of London, of course, remains sharply opposed to any interference with the freedom of professional investors.

The TUC works closely with the Parliamentary Labour Party in hammering out the Labour Party's economic programme presented at the autumn conference. This year it seems more than likely that something like an investment bank could be endorsed if only as a concept.

The TUC has a superficially persuasive argument for control of investment given the scale of the export of capital by the investing institutions since exchange controls were dismantled in 1979. The figures are certainly high. Although they have recently begun to fall back, in 1980 more than 40 per cent of total investment in equities by UK pension funds was in overseas equities which now account for 10 per cent of total portfolios against less than 5 per cent only three or four years ago.

Although the investment in overseas equities has probably been more at the expense of investment in UK gilt-edged stock than anything, it is easy to link both together and see the fund managers' strategies as being at the expense of British industry overall. This is the basis of the TUC's call for a Foreign Investment Review Agency to "halve the massive outflow of funds overseas" through the reintroduction of strict exchange controls and specific ceilings on permitted overseas investment.

A large number of politicians would find such arguments quite persuasive and it is a small step from there to persuading them that the natural partner of a foreign investment agency would be a national body directing inward investment into socially and economically desirable media.

It is true that the foreign agency has already been condemned by the Confederation of British Industry and the Government but it will certainly find favour within sections of the Labour movement and the TUC also has the power to affect another important pressure group on pension funds, the grass roots trade unionist trustee.

The TUC is now proposing to hold a special conference of trade union representatives on pension fund boards of trustees, probably in the summer. At that conference it will put specific proposals forward for trustees to seek to curtail overseas investment by direct intervention in the strategies of individual funds.

At the sama time it will encourage trustees to support moves already under way by some Labour-controlled local authorities to set up local enterprise agencies with funds dedicated from tha local authority pension funds. Both the Greater London Council and the West Midlands County Council are far advanced with tha creation of such agencies, but both are inhibited by the fear that moves by the local authority to interfere with the pension funds' investment strategies would be illegal. It would, however, be perfectly legal for the trustees of the pension funds to dedicate cash voluntarily to such organisations, so the pressure is mounting on those trustees whose political interests might be expected to coincide with the Labour councillors.

By such indirect means tha pressure on investment managers is mounting. Nor are the pressures confined to the Labour/TUC axis.

The most recent of thesa is embodied in the Review of Investor Protection, a discussion paper produced by Professor Jim Gower late last month. Prof Gower was commissioned last summer by the Government to see whether the existing legal protection for investors was adequate and to cast around for improvements if necessary.

After six months of discussions with organisations throughout the securities market Prof Gower has concluded that investor protection is in sad disarray and what is needed is a radical overhaul of all the existing machinery of statutory and self-regulation.

Prof Gower interpreted his brief very widely to include commodity investment, life assurance and linked life marketing and building societies. The range included pension funds about which be permitted himself a passing but piercing glance.

"To most people," he said, "the investment mada by or for them in a pension fund is, apart from their home, the only substantial investment that they will have. That being so, one would have expected that it would ba subject to strict regulation and that steps would be taken to ensure that beneficiaries had detailed information about it and an effective say in its operation. Such, however, is not the case. Of all tha investments it is, perhaps, the least regulated."

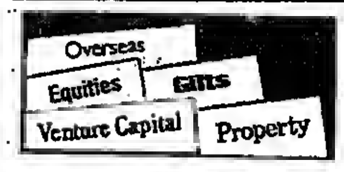
Prof Gower wants to see professional pension fund investment managers forced to register with a statutorily controlled but self-regulated agency which all types of investment bodies would have to join as a prerequisite for operating.

This would not, however, include the non-professional trustees of pension funds. Prof Gower sees no way of controlling their activities which ultimately direct investment strategies, short of a Pension Schema Act similar to that proposed by a minority of the Wilson Committee which reviewed the functioning of financial institutions in 1978.

Prof Gower may have started from the point of view of investor protection but his conclusions about pension funds can do nothing but support the views of the TUC/Labour pressure group who want changes for entirely different raasons. And Prof Gower is not alone. Both the Government Actuary and the Scott Committee which studiad index-linked pensions are adding their own indirect wattaga to tha political spotlight now focusing on investment managers.

The Government Actuary is at present putting the final touches on the assessments which form the basis for the review of the terms for "contracting out" of tha State pension scheme. Companies which opt to set up their own pension schemes instead of contributing to tha State scheme receive a rebate on their National Insurance contributions related to the financial risk they are taking on with their own schemes. The rebate is at present 7 per cent but the Government Actuary has said that it should fall to 6 per cent because of the better than expected performance of private pension fund managers in recent years.

The Government Actuary bas based his decision on an assump-



Political pressures

CHRISTINE MOIR

tion that fund managers can achieve a real rate of return over inflation of 3 per cent per annum.

This figure has also been bandied abont in other qnarters. Tha Scott Committee also looked at recent investment returns to determine if it were possible to provide index-linked pensions for all workers. It conclnded that fund managers could produce a real rate of return but declined to say whether that would be negligible or as high as 3 per cent. Any point between nil and 3 per cent might be a good base to take, the committee argued.

The debate which these two bodies have activated bas, obviously, focused considerable attention on the rate of return achievable by pension fund managers. It is also causing a degree of embarrassment within the industry. In the interests of keeping as high a contracting out rebate as possible, the pension fund movement wants to argue for the lowest possible real rate of return. It is already castigating tha Government Actuary on the basis that 3 per cent is unrealistically high.

At the same time it wants to avoid the conclusions of some observers as published in the Scott Report that fund managers are unable to achieve a real rate of return at all. That could be to admit that either funded pension schemes are inherently ineffective ways of supplying pensions, nr the current bread of investment managers do not know their stuff.

The argument is not just academic. If investment managers can produce a real rate of return then, theoretically, employers should be able to reduce the cost of providing pensions to their workers—an obligation which adds a beavy burdent to the salaries bill.

Professor David Wilkie, research actuary at Standard Life Assurance, estimates that the cost of providing a fully-index pension on a simple pay-as-you-go basis would amount to between 17 and 21 per cent of an employee's wages. Since most of that would come—as the present schemes do already—from the employer's contribution, the role of the investment manager in obtaining a real return on invested sums must be seen as central to a company's overall cost control.

As we note elsewhere in this survey the ability of pension fund managers to nbtain real returns is being fiercely argued in the industry—and their performance returns nver the past decada and longer give no solid support for the arguments to the positive.

So much for the pressures—direct or indirect—on investment managers from outside the pension fund movement nr its investment sector. Ironically, the investment managers are also responsible for increasing pressure on themselves from some nf their own activities.

Next month sees the beginning of a new agency devoted to promoting the idea of non-executiva directors and their numbers on company boards. Funded and initiated by a consortium of financial institutional associations, the Bank of England, the Stock Exchange, and the CBI it is devised as a partial solution to the conundrum of shareholder responsibility of the investing institutions.

They must be seen to be supporting British industry by positive involvement in companies' affairs so as to minimise future weaknesses. But at the same time they must not meddle in the day-to-day management of companies.

The new agency will try to persuade company chairmen to appoint more good non-executiva directors. It will also help identify and track down such individuals. In addition it will orchestrate the views of the institutional shareholders and help formulate the proper relationship between them and the companies they invest in.

In the course of this activity the agency cannot fail to spotlight the pension fund manager's investment strategy, tactics and efficiency. It would be foolish to believe that this spotlight will never expose areas of weakness and incompetence which will fuel the demands from, say, the TUC, for a degree of state control of investment.

The flowering of performance measurement techniques within the pension fund industry is likely to bave a similar effect, if it has not already dnne so by focusing on total rates of return. Devised within the movement as an investment manager's personal tool for monitoring his own progress, performance measurement results are now widely broadcast — often misunderstood — with the effect that even casnal observers believe they can identify the reasons for swings in the securities markets and even, some claim, the Public Sector Borrowing Requirement.

Ona final area where pressure is increasing nn investment managers is the securties market itself. The dominance nf the investing institutions in the turnover and activity of the securities market bas focused the attention of the regulatory authorities on the institutinns.

Thus the Council for tha Securities Industry has spent the past year introducing and tuning rules to inhibit free sales nf shares to predators who wish to raid target companies through swift market manoeuvres. It has also devised a series of basic principles for investment management which impinges directly on the relationship between pension funds and outside investment managers such as merchant banks and stockbrokers, although originally intended only as a self-regulatory bridle on independent licensed dealers in securities.

It is trua that, uniquely among developed countries, the UK has no statutory controls over pension fund investment. But the pressures are mounting and the fact that, though diffuse, they ara coming from completely different quarters, actually intensifies their impact.

PENSION FUND INVESTMENT III

London proves an ideal clearing house

THE DASH for overseas securities by UK pension funds may have slackened off. The latest figures from the Department of Trade — for the third quarter of 1981 — reveal that for the first time since exchange controls were dismantled in late 1979 the financial institutions invested slightly more in UK equities than they did abroad.

Those 18 months of concentration on overseas purchases, however, have brought foreign holdings in UK funds up to around 10 per cent of total portfolios, just double the 1978 proportion.

At that level the pension fund movement as a whole probably has more than £5bn of funds in foreign markets, more than enough to maintain a steady activity in that sector and support the growth industry of international fund management.

For the fact is that overseas portfolios need constant active supervision. Stock and sector selection, as UK fund managers have noticed only too clearly in recent years, have a significant impact on performance. In the international arena there are currency fluctuations to take into account as well.

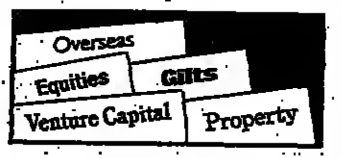
Phillips and Drew's latest edition of Pension Fund Indicators shows that while overseas markets as a whole in 1980 produced a return on equity of 16.3 per cent, the aggregate disguised wide performance differentials in the main markets. U.S. equities, translated into sterling, produced 23 per cent. German stocks showed a return of −17 per cent.

It is also clear that investment managers are not seeking international exposure just to diversify risk but in order to buy into growth stocks and economic sectors not available at home. This requires considerable expertise in specialist foreign markets and emphasises the need for flexibility both in stock selection and in market switching.

At present Japan and the Far East generally is the favourite market. The growth of interest there is evidenced by Wardley Investment Services, which has seen its funds under management out of Hong Kong grow from nil eight years ago when the service began to $2.2bn today. Exco's decision to buy the HK arm of Carr Sebag this month underlines the competition among international groups for a Far Eastern presence.

International pension fund money continues to pour into Hong Kong, which has developed as a major management centre, but the money is usually earmarked for Japan, Singapore, Australia and the other Asian and Pacific Basin countries. Japan continues to dominate, of course, and could become even more popular if the Tokyo Stock Exchange does permit entry to foreign brokers, who would then find it more cost-efficient to set up a full-scale management and research operation in Japan.

A stronger physical presence by foreign agents in Japan would almost certainly increase the already powerful impact of foreign investors on the Japanese stock market. According to Mr Peter Pearson,



Global managers

CHRISTINE MOIR

Fidelity International's Hong Kong manager, foreigners own about 4 to 5 per cent of Japanese equities but they account for about 8 per cent of turnover and their movements in the market are psychologically even more important.

The Japanese tend to look to the foreign investor, he believes, to lead the market. This may, he thinks, explain the success Fidelity has had in setting up a Far Eastern fund for Japanese investors. Mostly invested in the Japanese markets it has grown to around $135m in little more than two years. Fidelity's close links with international investors seems to have cut considerable ice with the locals.

The Japanese market is highly sophisticated and well served for research and UK institutional fund managers have a relatively long familiarity with it. This may mean that specialist investment vehicles managed by outside specialists will tend to lose their importance while normal brokerage services will increase.

Jardine Fleming, the investment management partnership between Robert Fleming, the UK merchant bank, and Jardine, one of the great Hong Kong trading houses, now has a team of 30 in Tokyo handling both discretionary investment and broking business and it is clear that the broking side is at least of equal importance at the moment and growing.

Elsewhere in the Far East, however, specialist vehicles retain their importance and probably always will be given the small size of most of the domestic markets.

The range of vehicles on offer continues to grow, the latest growth area being Korea. Vickers da Costa set up a Korean fund only two months ago which has already attracted some $15m of institutional money, and Cazenove and Co. has linked up with Japan's Nomura to provide a similar fund.

The Far East may be the most attractive international investment area—so much so that Far Eastern fund management businesses can probably *command a selling price* equivalent to 10 times annual earnings. But it is London which is proving the main centre for global fund management.

There appear to be two reasons for this. First, the UK institutions have been early supporters of internationalism so the merchant banks and other UK investment groups have been developing expertise in global management for some time. This in turn has made those organisations the natural choice of other foreign investing institutions now looking at international diversification for the first time.

The U.S. pension funds are the obvious example here. Having only recently won the right to buy foreign securities under American pension legislation, they are still only committing small proportions of their funds to foreign markets. But the absolute figures are large—1.5 per cent of the total ERISA funds is no less than $5bn, and a figure of 5 per cent looks possible before 1985.

London has not only the expertise in international management (as, one must add, does Scotland); it also happily straddles the main time zones. For both these reasons, therefore, the U.S. pension funds are looking to Britain as the clearing house for investments outside the U.S.

In their wake have come the major U.S. investment banks and specialist investment managers. Morgan Guaranty, Citibank, Chase Manhattan and Chemical Bank are among the U.S. leaders which are concentrating some or all of their international investment divisions in London.

At first the Americans were anxious not to upset their British counterparts so they stressed that their services were available only to non-UK investors on an international basis, or to UK investors only so far as their U.S. (usually fixed interest) portfolios were concerned.

That attitude is slowly being eroded as the Americans look longingly at the rich pickings available from managing or advising UK institutions and believe they have now developed sufficient expertise to offer them a competitive service.

The next couple of years will undoubtedly see enormous competition among the international management giants in their London offices which should stimulate advances in performance measurement and investment strategies, and also reduce management fees.

Even if the UK pension funds slow down on their foreign purchases—and the local authority funds have still to catch up once released from the present constraints of the Trustee Investment Act—there will be more than enough international activity to maintain the 40 or so global managers now operating in the field.

PENSION FUND ASSETS

	Total assets £bn	Overseas assets £bn	% growth of overseas assets	% of overseas assets in total portfolios
1978	31	1.688	+55.6	5.4
1979	42.4	2.654	+57.2	6.3
1980	54.7	4.490	+69.2	8.2
1981†	59.9	5.740	+27.8	9.6

† Estimate for first 9 months, based on net acquisition cash values.

Hiccups cause slower growth

JUST FOR the moment, pension fund inflows have lost much of their normal buoyancy. Indeed, the latest official figures—for the quarter ended last September — indicated that for the funds included in these statistics the net cash flow of £1.72bn was as much as 7 per cent lower than for the July-September quarter of 1980.

That may be something of a statistical freak, for the inflow of £1.93bn for the third quarter of 1980 was easily the highest yet seen. For the first nine months of 1981, total inflows were still running about 4 per cent ahead of the corresponding 1980 figure. But that indicates a drop in real terms, something which is unusual for this rapidly growing industry.

It is not necessary to look very hard for reasons for the slowdown. For instance, pension fund contributions are directly linked to pay levels, and in 1981 wage inflation slowed down to 10 per cent against 18 per cent the year before. Moreover, the number of jobs in the British economy has shrunk significantly in the past year or two, reflecting the wave of redundancies and factory closures.

The employees who are most vulnerable to redundancy are those with only short service—who are likely to take out their contributions in cash if they have been in the scheme for less than five years — and those close to normal pensionable age who are often persuaded to accept early retirement.

With early retirement, the fund not only begins to pay pensions but is also likely to have to finance lump sum payments. The company may agree to make extra contributions to cover any unprovided costs of early retirement, but it is unlikely to do so immediately, so the cash flow effects are negative.

Another — though fortunately rare — reason for weakness of cash flow is that companies may actually try to cut back their pension fund contributions because of financial difficulties. Thus British Airways is seeking to reduce its contributions rate and trim back some of its rather generous pension scheme benefits. In the private sector, the printing group BPC negotiated a reduction in benefits last year as part of its survival package.

Some actuaries, indeed, envisage the possibility of contribution "holidays" when schemes are relatively well funded but the company is in trouble. Indeed, the company might even borrow from the fund. Obviously the principle of raiding pension funds is not one to be encouraged. But it is sometimes argued that there is no sense in having a rich fund at the expense of a bankrupt company.

And it is worth bearing in mind that in the cases of many long-established industrial companies the pension fund often has a greater value than the market capitalisation of the company itself. This is true, for instance, of groups like Lucas Industries, Tube Investments and Imperial Group.

Despite the slowdown, the size of Britain's pension funds is still very much on the increase. The precise figure depends on how many funds are included, but brokers Phillips and Drew, for instance, reckon that the total value of privately administered pension fund assets has risen from roughly £25bn to £55bn over the past four years.

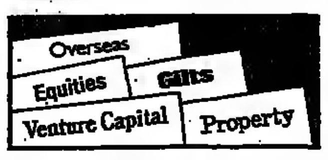
Official Central Statistical Office figures are available on the types of investment held by pension funds, and eliminating minor holdings of liquid and miscellaneous assets the approximate picture at the end of 1980 was as follows:

Dominating the picture were UK equities, representing about 48 per cent of the funds at market values. Next come gilt-edged, where holdings — mainly of long-dated stocks — amounted to perhaps 24 per cent of the total. Around a fifth of the funds was invested in property, either directly or through unit trusts. Finally, overseas equities represented 8 per cent.

Although relatively small in weight, these overseas investments (to which should be added an unknown though relatively small amount of foreign property) have been attracting a good deal of attention lately. For this overseas portion has been rapidly built up since exchange controls on overseas investment were removed in late 1979.

During the period of exchange controls the pension funds tended to be underweight in foreign equities, but many have now set themselves a target of somewhere between 5 and 15 per cent of the portfolio for this type of investment. When the end-1981 statistics come out, it may well be that the proportion will already have topped 10 per cent on average.

This sudden portfolio shift has required quite dramatic changes in the pattern of investment of current inflows. In the second quarter of 1981, in fact, UK pension funds invested more new cash in overseas equities than in UK equities — the figures were £414m against £388m. This has aroused the interest of left wing



Asset mixes

BARRY RILEY

politicians, who accuse the pension funds of neglecting investment in Britain: the TUC has called for curbs.

But such restrictions might well amount to a case of shutting the stable door after the horse has bolted. Many pension funds are already reaching at least their initial overseas investment targets, and the level of new investment overseas is likely to shift back to something like the 10 per cent which is the portfolio proportion. This contrasts with 25 per cent or more of new investment which has been seen in some recent quarters.

This easing off was to some extent visible in the July-September quarter of 1981, when investment in overseas equities slipped back to £326m while £521m was put into UK ordinary shares. The pension funds are very conscious of the fact that their liabilities are almost entirely in terms of sterling, so that however attractive some foreign markets may be, there will always be an offsetting element of currency risk if the overseas portfolio proportion becomes at all high.

In fact some fund managers argue that the attraction of investment overseas is not so much that of international diversification as such, as of the potential to invest in growth industries which may not be available in the UK market. Examples are the electronics sectors in the U.S. and Japan, and energy or mining investments in a variety of countries.

Meantime the enthusiasm of pension fund managers for UK equities has scarcely diminished, and net new investment in UK shares in 1981 is unlikely to have fallen far short of the record £2.1bn recorded by the CSO for 1980. Despite its ups and downs, the UK market has given quite decent overall returns to the pension funds in the past few years.

That is more than can be said for gilt-edged, where the market again turned out to be disappointing in 1981. Despite the huge amount of stock on offer from the Government the pension funds have proved reluctant to increase the proportion of their portfolios which is devoted to assets, such as gilts, which offer no protection against higher inflation.

In recognition of the unsuitability of traditional gilts, the Government last year introduced index-linked stocks of a kind which are more precisely tailored to the requirements of pension funds. So far three tranches of stock, of various maturity dates, have been issued, but the total market value is still well under £3bn which makes them so far of only marginal relevance — though with undoubted potential for the future.

Meantime many funds are roughly maintaining their existing proportions of fixed coupon gilts in the hope that, at last, this sector will achieve a good performance. The key attraction here, of course, has been the unprecedented level of apparent real returns, with yields running 6, 7 or even 8 per cent over the likely rate of inflation in the next year or so.

But whatever the short-term prospects, the return on gilts in real terms over a long period such as 25 years is impossible to predict. That explains why around three-quarters of the portfolio of the typical *pension* fund consists of assets like equities and property which, on the basis of historical experience, are more likely to secure the living standards of pensioners in an inflationary era.

Indexed gilts lead to reappraisal

Future assumptions

BARRY RILEY

LAST MONTH the Treasury issued the third tranche of index-linked gilt-edged stock, ownership of which—as in the cases of the other two—has been limited to pension funds. This third issue carried an index-linked coupon of 2½ per cent, half a point higher than the coupons on the earlier stocks.

Somewhat grudgingly, the authorities were acknowledging the fact that a 2 per cent real return, the first guess last spring at what the index-linked yield should be, was too low to be acceptable to the pension funds. Even so the authorities did not go the whole way and set a coupon of 3 per cent, which is roughly what the market yield has turned out to be. All three indexed gilts are standing at sizeable discounts on their par values.

The introduction of safe, inflation-proofed bonds has forced the pensions industry to face up directly to the question of whether it can achieve adequate returns from other and more conventional investments.

Before the arrival of indexed gilts fund managers could argue that all they could endeavour to achieve was the best return possible from conventional investments, such as equities, property or conventional fixed-coupon gilt-edged. The hope has been that in the long term they would be able to achieve a modest real return over and above the rate of inflation. Now there is an alternative—although one so far available only in modest amount.

Right from the time the first indexed gilt was issued many actuaries stuck out for a 3 per cent real return. The reason was that without a rate of return at least as high as this many pension schemes would eventually run into funding problems. In practice most funds have failed to achieve such a return over the past decade or two; but to accept that the failure will be repeated in the future would be to force a reappraisal of the whole basis of the funding of occupational pension schemes.

Individual pension schemes are valued by their actuaries on quite a wide variety of assumptions, but a common basis is that the long-term gross rate of return—taking income and capital growth together—will emerge at some 1 to 3 points above the average annual rate of wage inflation.

In the past couple of decades wages in the UK have grown at an average of 2 per cent a year faster than retail prices, so the assumed return has amounted to 3 to 5 per cent over price inflation.

Historically, pension funds have generally failed to achieve this. The precise figures for rates of return depend on the period being selected, but a good idea of the long-run trend is provided by statistics just published by stockbrokers Phillips and Drew.

Over a period of 19 years from 1963 to the end of 1981 P and D calculate that the average UK pension fund achieved an annual rate of return of some 9 per cent. This was about 1 point below price inflation and about 3 points below average wage inflation over the period.

During the shorter, more inflationary 10-year period from 1972 to 1981 the picture was worse. The return was also 9 per cent but this was around 5 per cent below price inflation and 7 per cent short of wage inflation.

The 1970s, however, took in two horrific years in 1973 and 1974 when the financial markets collapsed and inflation soared, a pattern that was only partly corrected in the financial recovery year of 1975. More recently the picture has improved substantially. In the past five years the returns have been positive each year and have averaged around 18 per cent annually. This compares with annual inflation of just about 13 per cent on average.

The statistics can be presented in a way to prove almost anything. But a fair summing up is probably that pension fund managers have recently recovered a lot of their confidence after the near-disaster of the first half of the 1970s. So although 1981 turned out to be a nondescript year—according to P and D the return on the typical pension fund was about 11 per cent, a point less than inflation—it was perfectly acceptable coming after the excellent 26 per cent rate of return in 1980.

Moreover, it was significant that wage inflation was only 11 per cent in 1981, indicating a fall in real incomes. Because pensions are normally linked to final salaries, it is pay inflation rather than price inflation that primarily determines the cost of pension schemes (though there may be a degree of linkage of pensions in payment to the level of prices). If wages are now longer to rise by 2 per cent a year faster than prices, then the task of the fund manager may be somewhat eased.

But do a few good years invalidate the longer run picture? Is it just wishful thinking to assume that returns will continue to be solidly positive? After all, if 3 per cent is the right rate for risk-free indexed gilts, the return on riskier assets like equities needs to be higher—say 4 or 5 per cent.

A certain amount of support for the pension fund actuaries has come from the Government Actuary, who has decided that 3 per cent is a reasonable real rate of return likely to be achieved by a conventionally invested pension fund.

However, a slightly more cautious view was taken by the Scott Committee in reporting on the value of inflation-proofed public sector pensions. The Committee thought that 3 per cent was the upper limit to the range of "reasonable" assumptions, bearing in mind "the relative power of capital and labour." The return might well be lower—but not, the Committee decided, lower than zero.

Certainly, positive real returns have become evident in capital markets in many parts of the world on a scale not seen for many years. It can be argued that the negative real returns prevalent in the 1960s and 1970s were a reflection of the acceleration of inflation and will not persist in conditions of stable or falling inflation.

It was, after all, the fixed interest element of pension fund portfolios which led to much of the poor performance of the past two decades. In the past ten years the return on gilts has on average fallen 7 per cent a year short of inflation—a phenomenally bad performance.

In contrast, the return on equities and properties has been much more reasonable. Even here there were, of course, major problems in 1973 and 1974, but P and D's 19-year data indicates an average real return of around 2 per cent on UK equities. That balances the booming 1960s with the more subdued 1970s, but as very long-term institutions the pension funds are prepared to take the rough with the smooth so long as the balance evens out in the end.

Property has probably produced a slightly better performance than equities, although the valuation problem makes it less easy to be precise. In the very long run property rentals, like the profits and dividends of companies, have just about kept up with inflation, so it is possible to hope that the capital values of shares and property will stay in line with inflation, while yields—of, say, 5½ per cent on equities and 4 per cent on top class property—offer the scope for a reasonable positive overall real return.

Any rate, pension funds have maintained a high level of commitment to the equity and property markets and have recently been taking advantage of the opportunity to supplement their UK portfolios with similar overseas assets. They have been reluctant to increase their commitment to gilt-edged despite the higher and higher real yields which the Government has been forced to offer. Even with gilts, however, it is possible to argue that the valuation basis is now much more attractive, relative to prospective inflation rates, than has been the case for a very long time.

In the long run, an economist might argue, it is unlikely that capital could continue to be attracted at negative real rates of return. But shifts in the valuation basis of particular assets—as with the more than doubling of equity dividend yields over the past decade—have distorted the picture over quite long periods.

Pension funds can look for offsetting factors to balance any problems; for example, if company profits prove to be weak then wages are likely to grow slowly too. But in the light of postwar experience in the capital markets, nobody can be absolutely sure.

ANNUAL RATES OF RETURN

	Gilts	UK equities	Overseas equities	Cash	Property
1963	2.5	19.7		4.2	
1964	−2.6	−6.1		5.4	
1965	2.9	11.4		7.0	
1966	4.5	−4.4		6.9	
1967	2.6	35.0		6.4	
1968	−4.4	48.5		8.2	
1969	−1.8	−12.0		9.1	
1970	4.2	−3.6		8.1	
1971	27.5	47.1		6.3	
1972	−6.8	15.8		6.4	
1973	−10.7	−28.8		11.5	23.1
1974	−17.9	−51.7	−6.4	13.4	−21.8
1975	41.8	150.9	46.0	10.8	5.7
1976	12.3	1.7	26.5	12.1	4.4
1977	50.1	48.8	−19.1	8.4	25.4
1978	−3.3	8.2	11.1	9.1	19.2
1979	4.3	11.1	−27.4	14.7	21.3
1980	21.1	35.0	16.3	18.6	18.1
1981	1.4	13.5	21.1	14.5	14.9
19-year average	5.5	11.8	n.a.	9.5	n.a.

Source: Phillips & Drew "Pension Fund Indicators"

ANNUAL RATES OF RETURN AND INFLATION

Year	Average private pension fund	Inflation: Wages & salaries	Inflation: Retail prices
1963	11.5	7.7	1.9
1964	−3.2	3.2	4.8
1965	7.0	7.7	4.5
1966	−0.2	4.3	3.7
1967	18.8	5.7	2.5
1968	25.3	9.2	5.9
1969	−8.4	8.6	4.7
1970	0.5	13.7	7.9
1971	38.4	9.3	9.0
1972	9.3	15.5	7.7
1973	−21.8	13.0	10.6
1974	−31.0	29.4	19.1
1975	63.8	19.4	24.9
1976	6.8	11.7	15.1
1977	38.9	9.3	12.1
1978	6.6	13.4	8.4
1979	9.1	19.6	17.2
1980	25.8	19.5	15.1
1981	11.1	11.2	12.0
19-year average	8.9	12.0	9.7

Source: Phillips & Drew "Pension Fund Indicators"

Role for trustees is more than charting the course

Investment management

ERIC SHORT

ONE OF the prima responsibilities of the trustees of a pension scheme is to invest the assets for the ultimate benefit of the members. These fiduciary responsibilities under trust law require them to get the maximum return from the assets over the period of the liabilities of members—a period that extends well into tha next century.

The investment powers of the trustee are laid down in the trust deed, but invariably they effectively allow investment over the whole spectrum.

Investment, however, is not a task for the amateur trustee, and the trustee will delegate the investment management to a professional manager. The trustees cannot delegate their legal responsibilities for the investment, bence they should become involved in the strategy adopted by whichever investment manager they appoint.

Trustees have a wide choice of managers, since there is no shortage of companies offering their services. They all seek to carve out a share in what has been a rapidly growing market.

The first choice of the trustees is between a self-administered fund on the one hand and an insured scheme with a life company on the other, with a managed fund as the middle course.

In the past many trustees have selected an insured scheme because everything is done for them by the life company. Not only does the investment come with the package, but so does the life assurance, the pension payment guarantee and the full administration.

Whatever the form of an insured scheme — with profits deferred annuity, deposit administration or other forms—investment is made in the combined common life and pensions fund of the company, with the investment decisions completely in the hands of the life company. This fund will be a mix of equities and property, both in the UK and overseas, plus fixed-interest stocks with the life company varying the mix. In theory the funds need to bold a certain level of gilts and other fixed interest securities to cover the guaranteed liabilities.

In practice, because of the strength of the reserves of the establisbed life companies, investments can be varied widely without endangering solvency.

Insured schemes give certain levels of investment guarantee and many trustees are attracted to this method because of the guarantees. They tend to overlook that it is a guarantee on investment return not on the benefits paid and it does not pass on their legal responsibility.

The pension fund does not receive directly, under an insured scheme, the investment performance of the fund. The investmeot return comes in the form of bonuses or bonus interest which depends on the actuary's determination of the amonnt of overall profit from the life fund and bow this is distributed between the various classes of business. Actuaries admit that they can only achieve rough justice at the best of times.

This lack of ratification of one's own fund has resulted in many trustees moving away from an insured scheme to the self-administered route. Smaller funds can run their own portfolio and still assure, if necessary, the mortality risk of the pension payments and the lump sum death benefit with a life company. Indeed, such is the effect of competition that even for large pension schemes it is cheaper to buy the death in service cover than carry the cost themselves.

Having deciding on the self-administered route, the trustees have to decide bow to select from the various institutions offering their services—merchant banks, stockbrokers, independent investment managers and life companies. It is no good being dogmatic about which institution offers what type of service. Each will have pros and cons in their epproach and style of investment management that may or may not meet what the trustees are seeking.

An article in the December 1981 issue of Pensions World by Mr Nick Ryan, superannuation officer of the University of London, describes bow his trustees sought an external investment manager and the points they looked for.

To start with they acted as though making a senior internal appointment. Considering the size of funds being haodled this seems only logical, yet many trustees succumb to the effects of an efficient marketing exercise following an executive lunch.

Mr Ryan's approech was meticulous io tha extreme, crossing off every applicant for a variety of reasons. His article can be summarised:

- Eliminate the firms that are appear to be too small to handle the volume of investment.
- Eliminate the firms that are too large. Mr Ryan wanted to feel that bis fund would figure prominently in the activities of the investment manager. He admitted that this removed many firms of high repute.
- Firms which produced salespeople from the front office and not the actual managers went off the list. Mr Ryan wanted to see and interview the actual managers.
- Off the list went those managers who rubbed the trustees or Mr Ryan up the wrong way. This he regards as one of the most important considerations in that the external managers must be able to work in mutual harmony and confidence with the trustees.
- The trustees must like the overall approach of the managers to their investment philosophy.
- Finally the question of fees charged by the managers, which Mr Ryan feels should not be the sole consideration.

On this final point trustees need to consider what comes with the investment management service—what sort of administration is included. The trustees need to consider whether some administration could be done cheaper internally. Charging structures vary and sometimes there are hidden charges that would not be revealed unless the trustees asked the right questions.

Merchant banks were long the leaders in external pension fund management. The major banks have been accused of treating funds as small fish in a big pond and there tends to be a tight house style on investment policy. Investment covers the whole spectrum. Fees tend to be on a percentage of the fund. One consultant claims a noticeable trend away from merchant banks.

The independent operators tend to expect full discretion on investment management and bold firm views on strategy. They beve spearbeaded tha drive for overseas investment and some are prepared to put as much as 30 per cent of funds overseas. Almost all invest in equities and eschew gilts completely. Although they will use pooled property funds for direct property investment the emphasis is on equity investment. Trustees usually have to do thair own administration. The fees are based on a percentage of the funds managed.

Stockbrokers have the attraction of not charging fees directly, bnt relying on the brokerage in the investment to meet their costs. This has led to accusations of churning the portfolio, but investigations do not reveal a higber level of turnover than with other advisers. There tends to be a more individual style of investment. Property investment is covered by pooled funds.

Lifa companies tend to manage the smaller funds using their managed funds covering a complete investment range, and offer a complete service. Tha charges come in many forms—the bid-offer price spread of the units, the annual charge on the valua of the fund and e cherge on the new money. Life companies are moving into the segregated fund management service.

The modern tendency is to split the investment betwaen two or more managers. In theory this is designed to boost performance because of the competition. The manager handles smaller funds and thus should be more flexible in his approach.

But many funds prefer to keep direct property investment in their own hands using the advice and services of a leading estate agent. There is a "gut" feeling among laymen that there is no substitute for bricks and mortar. But this move could well reflect the desire of trustees and pension managers to run their own in-house investment team.

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The Morgan Bank

On this and the following page problems of individual pension funds are examined. Below, **Christine Moir** looks at the likely effects of educational cutbacks.

Coping with redundant dons

Universities Superannuation scheme

THE GOVERNMENT'S cost-cutting policies are now beginning to affect the country's universities, some of whom have been told to shed as much as 35 per cent of staff over the next two years.

It is not at all clear at the moment how many academic staff will be involved or, crucially for the Universities Superannuation Scheme which looks after their interests, what age the majority of them will be.

Whatever the details there is bound to be some short-term impact on the net cash inflow to the pension fund depending on how many redundant individuals are over 50 and able to translate some of their pension rights into cash.

The reduction could also lead to a review of the fund's financial position when the actuaries carry out their 1984 valuation. A recommendation for increased contributions is certainly on the cards.

The pension fund's administrative and secretarial staff is already grappling with the problems which will present themselves in the next couple of years. But this has not held up progress on the other main change in the fund—its decision to take over management of its own investments.

Until this year the USS had farmed out investment management—mostly to stockbrokers Philips & Drew, with a smaller proportion in the hands of Rowe & Pitman. Only cash management was carried out in the Liverpool headquarters of the fund itself.

However, the fund had always had long-term plans to move full management in-house as soon as the job was "sufficiently large to attract a man of the right calibre," in the words of Mr Peter Stirrup, chief executive of the USS.

Unfortunately, that moment coincided with an embarrassing time for the fund. Just after the Easter weekend in 1980 its cash manager was arrested and later given a seven-year prison sentence for stealing £1.5m from the fund which he used to buy krugerrands.

Most of the money was recovered but the fund's plan to move in-house was made to seem a panic reaction following the recommendations of a special consultancy group brought in to advise on tightening up administrative controls.

"Not so," says Mr Stirrup, "we had already made the decision based solely on the size the fund had reached." The USS is only seven years old, having been formed out of the amalgamation of hotch potch of old pension arrangements for the different universities. From a nil fund in 1975 it has now grown to around £1bn. "And at that stage," Mr Stirrup says, "most funds go in house."

The new investment manager is Mr Jack Spink, poached from Warburg Investment where he had been responsible for a large tranche of the Post Office pension fund's investments.

Mr Spink was appointed in July but only took up his task in November from the temporary haven of offices borrowed from a stockbroker.

His first job has been to find premises, then to start building up a team—probably of about 10 or so to start with—and to supervise the transfer of operations from outside managers.

That task is being mirrored in the Liverpool headquarters where the new chief accountant, appointed in August, is busy hammering out a system for investment accounting.

Until these administrative details are complete Mr Spink will not take full control of investment although last month he began the task by investing the new monies earmarked for stocks and shares.

Property management will remain out of house indefinitely. Like so many other pension funds the USS employs Jones Lang Wootton as its property adviser and seems happy with this arrangement. Certainly any fund which decides to take on physical property management in-house must make a large investment in staff and even finding in-house surveyors and valuers of sufficient standing to match the services offered outside is a problem. Mr Stirrup and his board of trustees have shied away from such a big move. The transfer of a securities portfolio of about £800m and the supervision of some three-quarters of an annual cash inflow of £150m a year seems more than enough for the present.

Where top flight people really count

National water council

DUNCAN CAMPBELL-SMITH

ALAN PORTER sees himself as "a persuader, a sounding box and an occasional prodder" as the chief executive of the National Water Council's superannuation fund, which now has a market value heading for £600m by March 31.

He supervises and co-ordinates the work of three management units. "I hope we are an energetic, lively and forward-looking fund with a philosophy based firmly on independence for our contracted managers" says Mr Porter.

This may sound unremarkable enough. Of those independent managers, however, only one fits the description of an external adviser contracted in the normal way.

This is Phillips and Drew, which the council took on at its inauguration in 1974 and has retained ever since. The broker has responsibility for one of two securities portfolios which has responsibility for one of share 75 per cent of the new money flow—estimated at about £90m for the current year—and have a present value of about £220m each.

The other securities portfolio is contracted out in a sense, yet remains in-house. It is managed by DIMU, a not entirely flattering acronym for the Water Council's own Direct Investment Management Unit set up in Cannon Street in 1978. (The council's headquarters are down the street from the Home Office next to St James's Park.)

Mr Porter explains that some in-house management looked appropriate to the council once it felt it had found its feet as an institution. It hired Mr Charles Crowther, then with J. Henry Schroder Wagg, to lead a team of three advisers and three assistants. Then it told them to get on with the job.

DIMU took on the role of an earlier second manager, County Bank. Mr Porter thinks it important to have two advisers—"each can stimulate the other's performance"—though he eschews the word competition.

The advantage of having one of them on your own payroll, he believes, is that you get the undivided attention of that manager. "Provided you can attract top flight people, you should get a marginally better performance from them since the yhave no other clients to distract them."

Mr Porter acknowledges that the margin of superiority could take several years to show. How do things look so far? "Even Stevens," says the chief executive firmly.

His council's other unusual relationship is with the third of its managers, estate agents Jones Lang Wootton. The latter's brief is "to seek properties, investigate propositions and make purchase recommendations to the fund."

But there are different categories of recommendation. Those which Jones Lang Wootton makes to the Water Council carry the total commitment of the firm. No more than two or three have been turned down since 1974. More than 200 deals have been accepted, all for UK properties, and the fund has been channelling 25 per cent of its new money into this sector since July 1980—all of it going through JLW.

This makes the firm both manager and adviser to the council, a special relationship which Mr Porter presents as another aspect of the guiding philosophy that managers should be allowed to manage.

He stresses that the fund has ample checks and balances with which to monitor the performance of the property portfolio. On this basis, it has grown very successfully in line with the fund's policy "more than most to be involved directly in property development."

It has also now decided to be involved directly in venture capital projects, for which a separate portfolio was set up on January 1. It is to be run in-house by Mr Porter himself and Mr John Hatch who joins the council shortly.

The new portfolio, says Mr Porter, has five direct investments "in the bag or on the stocks." It intends to be catholic in its taste and stands quite ready to look at management buy-out proposals, for example. Mr Porter names medical engineering and computer technology as attractive areas of asked to pick specific sectors.

He prefers not to be specific, though. The portfolio is aimed simply at "the sharp end of industrial and commercial life." A fortnight statement for a fund with a forthright philosophy.

Alan Porter: occasional prodder

A watchful eye on the track record

Debenhams

TIM DICKSON

"CHOOSING AN investment manager is about getting the right individual, not necessarily a good corporate name." So says Denis Blair, pension fund executive of Debenhams, the major store group, who was instrumental in securing for his company the management services of Geoffrey Morley and Partners.

Mr Blair highlights four main criteria for selecting an investment manager—track record; understanding with the trustee board; fees; and the degree of individual involvement (the order here is not relevant). But the full story of why Morley has been managing the £45m of Debenham's pension fund assets for the last five years stretches back to the middle 1960s and cannot just be summed up by reference to those familiar yardsticks.

"I first met Morley when I was working for Massey Ferguson and he was manager of the Iraq Petroleum pension fund. It was around the time of the launch of the first property unit trust and I heard him speak out at a meeting against the whole principle of unitising property. He pointed out that unless you had a full valuation every time somebody put money into the fund—which is clearly impractical—new or existing unitholders were going to lose out. I was impressed by the clarity of his arguments and the fact that he was prepared to go against the herd."

Mr Blair followed Mr Morley's progress from the Iraq fund when Mr Morley went back to Shell (he had done a previous stint with the oil majors). Mr Blair was later surprised to hear that Mr Morley had retired early to concentrate on his golf swing. He was glad to find that not long afterwards, however, that the investment manager had come out of retirement to set up his own independent counselling service Geoffrey Morley and Partners.

At that stage (1970) Massey Ferguson was looking around for new management expertise and after considering more conventional sources (e.g. several merchant banks) the company decided to take on Morley. Mr Blair then moved to Debenhams with a brief to reorganise the group's pension fund management and given his satisfactory experience of Morley at Massey the obvious course to him was to hire the same man.

Geoffrey Morley: performance consistent

"His philosophy is pretty straightforward and importantly, it is intelligible to the trustees. He believes that recent history of the UK shows that fixed interest securities do not keep pace with inflation and that this reduces a company's ability to meet its ultimate liabilities."

Mr Morley believes that property and equities are the best long-term investments. "During the 12 years I have been associated with him at Massey Ferguson and Debenhams his performance has been as consistent as anyone in the business," says Mr Blair.

Mr Blair also has a lot of time for other members of Morley's small team, such as Norman Pilkington, who was his successor at Shell, and Alistair Ross Goobey.

He would not, however, stick unthinkingly with the present managers if their performance started to pale pointing out that this is measured in an "effective" way. "Performance tables can be very dangerous if you concentrate on what is happening in the short term.

"Until the day comes when they cannot deliver the goods or another organisation can show that they can sustain a better track record, I will be very content."

Portfolio has trio of managers

London University

DUNCAN CAMPBELL-SMITH

Nick Ryan: looking after 10,000

THE ROYAL AIR FORCE has always needed umpteen men on the ground to keep one in the air. A university needs rather fewer ground staff for each of its operational academics — but the parallel is there, says Mr Nick Ryan, pensions manager at London University.

In fact, the university employs just under two back-up staff on average for each teacher. This means there are currently about 10,000 people—library and computer staff, laboratory technicians, cooks and engineers — who look to Mr Ryan's superannuation fund for their pensions.

The result is a £40m fund with a new money flow of about £10.5m this year. Where it will flow to is of particular interest in 1982 because last year saw the fund's second major reorganisation in five years.

Mr Ryan and his colleagues stepped back over the summer to take a view of their fund's performance since 1976. It was the first period of self-administration, a group life cover and basic pension scheme having been provided before 1976 by Legal & General.

The investment committee had mixed feelings. The proportion of the fund managed by Charterhouse Japhet had grown from 20 per cent to about 80 per cent. The relationship looked a happy one and it still does.

On the one hand, the manager makes an effective contribution. "The time-weighted performance by Charterhouse Japhet over the period was about 16 per cent annually on a gross basis," says Mr Ryan. On the other hand, the fund's committee has a direct hand in management decisions.

The university attaches importance to this. It allows the fund to avoid investing in South Africa, for example. It also gives it control over broad policy decisions, such as the priority to be accorded overseas equity investment. (Since 1979, the fund has decided to place a maximum of 25 per cent of assets in foreign securities.)

The committee was less happy, however, about the part of the fund managed by Legal and General. This manager's strength seemed clearly identifiable with its property portfolio. In other areas, the university thought that performance and the degree of influence open to the in-house committee were both less satisfactory.

There was an obvious solution and it has been applied: Legal and General will now manage funds set aside specifically for property investment—expected to be about £1.5m this year. Its non-property portfolios have been transferred to another manager which will operate alongside Charterhouse Japhet.

The fund committee looked at four possible new managers. Barings won the day, beating one professional fund manager and two stockbroker firms. It will receive new money of about £3m this year, leaving £6m for Charterhouse Japhet.

"We like Barings' overall presentation," says Mr Ryan, "and their expertise in the Pacific Basin will complement Charterhouse expertise in North America."

But working with a merchant bank also offers a general advantage, he thinks, even though it means paying management fees as well as broking commissions. "It boils down to paying more to reap the advantages of a wider choice." A merchant bank, that is, can call upon the research services of the whole broking community. No single broker, however good his own research and contacts, seems able in the university's view to compete with this.

Growth of expertise

Prudential Assurance

ERIC SHORT

THE CHANGING role of life companies in investment management of pension funds is well illustrated by the evolution of the various services now offered by the Prudential Assurance—the second largest pensions company in the UK.

As Britain's largest life company, with sizeable overseas life interests, the Pru has developed considerable expertise in all sectors of the investment spectrum, including overseas investment, with the necessary research back-up to fixed-interest, equity and property investment. Its property department with 180 surveyors is ona of the largest in the UK.

Originally the investment management was part of the whole package provided by insured schemes with the underlying investment mix of UK and overseas equities and property and fixed-interest. The investments were held as part of the life fund and the return depended not only on investment performance, but on the actuary's method of releasing and distributing profit.

More than 10 years ago, the Pru launched its managed fund operation Prudential Pensions, taking a different route from other life companies. It offered three funds—equity, property and fixed-interest—now expanded to four with the separation of overseas equities in its own fund. For clients leaving all the investment decisions to the Pru—the vast majority—the managers recommended proportionate holdings in each fund. The current recommendation is 42.5 per cent UK equities, 10 per cent overseas equities, 22.5 per cent fixed-interest and 25 per cent property.

Other life companies offer a separate mixed fund for those clients who leave all the decisions to the life company.

Last year tha Pru branched out and offered clients a segregated fund management service, where clients held shares and properties, instead of units. But this service is only available where the funds are of sufficient size. For separate stock exchange investments, the portfolio must be at least £15m. For a separate overseas portfolio there must be at least £5m and for a segregated property the portfolio must be £50m. Otherwise the expenses of the service are not justified.

No client has yet asked for a segregated property portfolio, despite the Pru being fully equipped to offer this service. The pension funds seem to prefer to link with a leading estata agent.

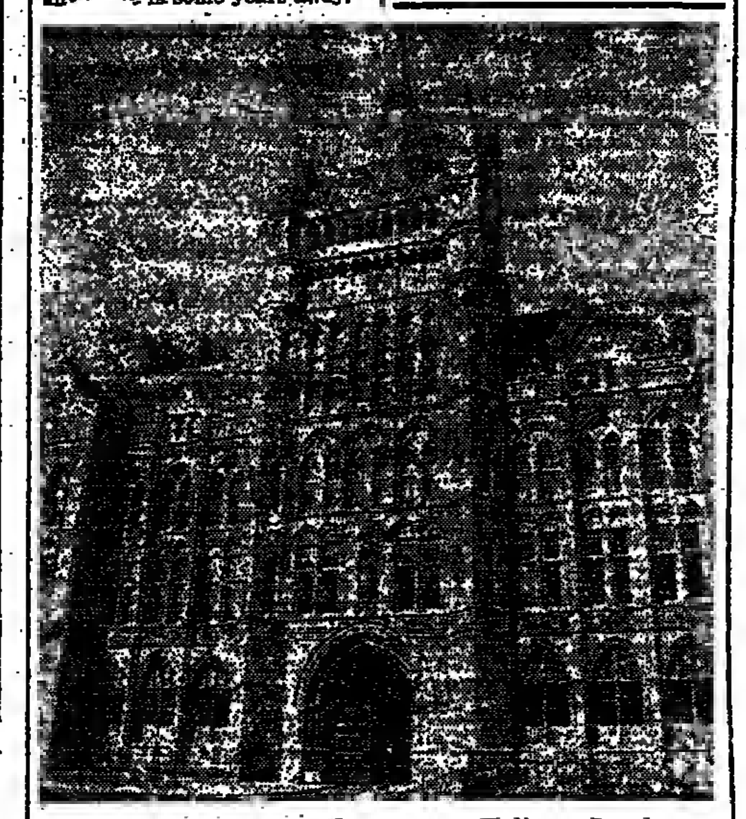
The Pru is finding that very few clients ask it to manage the whole portfolio. Increasingly, it manages part of a fund and is in constant competition with merchant banks and stockbrokers.

One of the Pru's first clients for the seeregated fand service was British Aerospace. Formed from two major companies—British Aircraft Corporation and the aero interests of Hawker Siddeley, it has progressde from insured to manages to segregated funds. Mr Don Norwodd, pensions fund manager of BAe, sees this as a logical progression as the funds grew.

BAe uses three managers for its equity and fixed interest investments — Warburgs and Lloyds Bank Investment besides the Pru, with tha majority of new money going to the Pru. Like most funds making the switch it has closed the managed funds and segregatad the new money, rather than pay the surrender penalty by cashing-in the managed funds.

New property investment is made directly through Jones Lang Wootton and has grown to £12m. But overall property investment now stands at £81m including the closed property funds with the Pru and others. BAe was aware of the Pru service for direct property, but took the decision to manage its own investments.

This decision can be regarded as heralding the ultimate move to in-house investment of all its portfolios by BAe. Mr Norwodd says this has been discussed but any move is some years away.

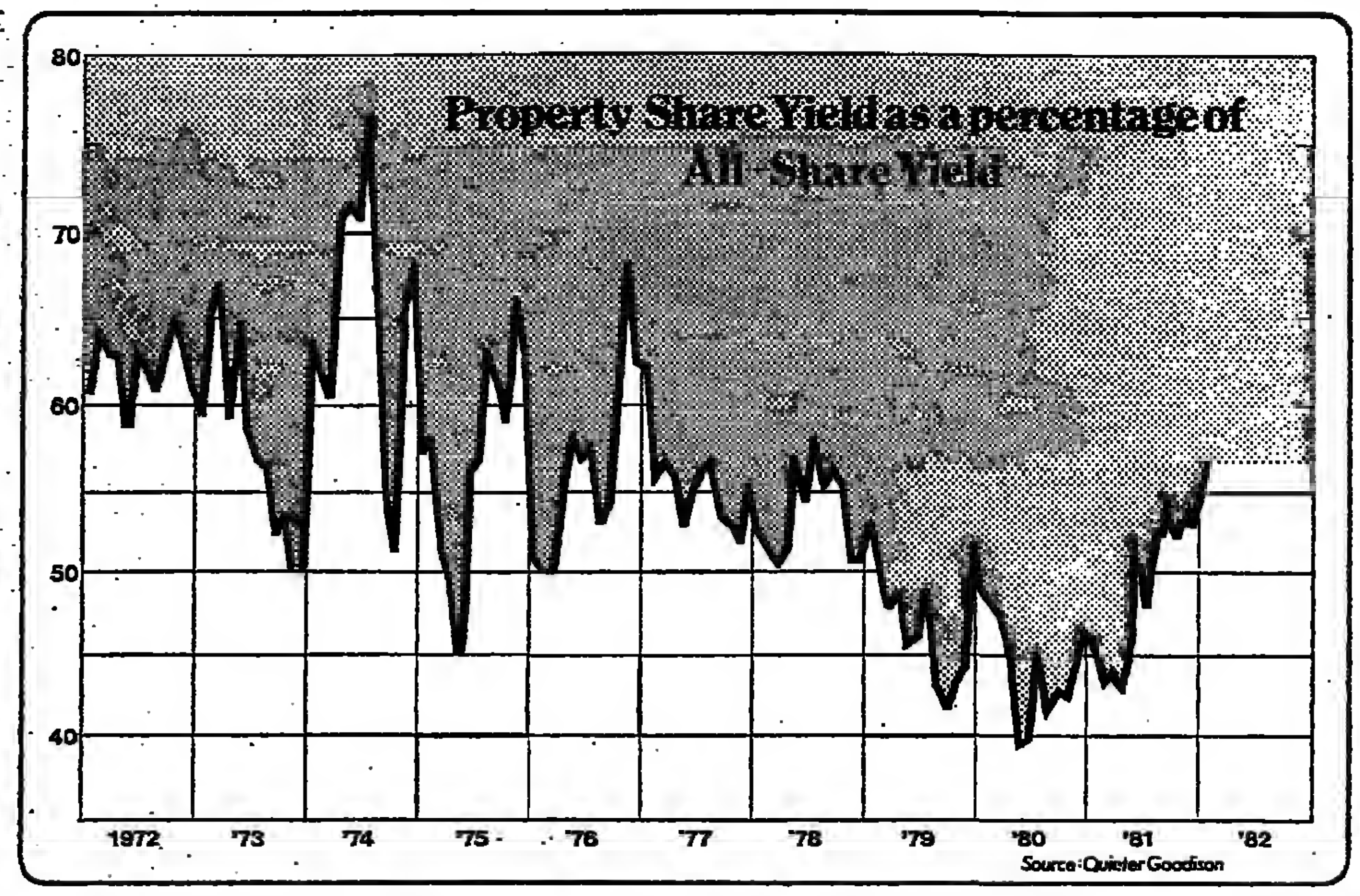


The Prudential's headquarters in Holborn, London

Still well regarded for the long term

Property

MICHAEL CASSELL



"ONE SECTOR of the overall investment market cannot be expected to out-perform all others in perpetuity and this seems likely to be the case for property in the short term. With positive "real" interest rates continuing in financial markets, both gilts and equities are likely to produce better results than property at its present yield levels over the next year."

The statement comes from Richard Ellis, estate agents and investment advisers to some of the UK's largest pension funds and it neatly encapsulates the present thinking on the relative merits of commercial property as an investment option.

There is no suggestion that the underlying confidence in property's investment potential has waned in the face of its recent weakening performance but there is, equally, a general view that for the time being at least prime property may simply be too expensive.

Against an economic background of continuing recession, high interest rates and a volatile stock market, prime property investment yields have remained unexpectedly low.

Heavy demand has pushed prime shop yields down to around 3¼ per cent while well-located office investments show yields down to around 4½ per cent. The market for industrial investments has, not surprisingly, become very selective but even here prime yields have remained at or below 6½ per cent, a somewhat puzzling phenomenon in view of the volume of space available on the market (though not all of institutional standard).

The major factors determining the institutions' acceptance of such relatively low returns include the large amount of available investment cash in the hands of the institutions and their desire to maintain strategic portfolio mixes.

In recent years, property investment has become very important for the pension funds. From being less than 5 per cent in 1967, property investment — including property unit trusts — has grown to approximately 17 per cent of the assets of the average private pension fund. The very largest funds have become increasingly important direct participants in the development market, enabling them to maximise the yields available. Last year alone, the institutions sank an estimated £2bn directly into property investment and total pension fund exposure to property is now estimated at nearly £9bn.

Conditioned

A preference by the institutions for prime property in a market of relatively limited supply is perhaps the single biggest cause of the present low yields and there is no doubt that, in continuing to accept such low returns, the funds have been conditioned by high performance in the property sector since the last part of the 1970s.

But, as Ellis points out, if prime property is for the time being considered to be too expensive, it could well be that in the past it has been too cheap and that only today is it achieving an appropriate degree of parity.

Rates of rental growth over the last five years would tend to support this view and although the immediate outlook on this front looks somewhat less than encouraging, the long-term prospects for rentals may also lend strength to the argument.

Research carried out by Phillips and Drew, the stockbrokers, underlines clearly the differences in performances between property investments and equities during individual years but at the same time illustrates the similarity in performance trends over the longer-term.

The firm's property unit trust index, an arithmetic index of the prices of 11 leading exempt property unit trusts and managed funds, shows that between 1973 and 1981 the average returns on both fronts were very close to each other. In the case of property unit trusts, the average annual return ran to 11.1 per cent, compared to 10.8 per cent per annum on equities.

Sales of property by pension funds may have increased as their portfolios have matured but they nevertheless remain relatively limited. Such low activity rates are consistent with the view that property should be treated as a long-term investment and not traded on a short-term market view.

According to Phillips and Drew: "Property is intrinsically suitable as a long-term investment since it can be expected to produce an initially fairly low but steadily rising stream of income." The same is true, however, of a portfolio of high quality equities and, indeed, the high rates of equity dividend growth have been one of the important features of pension fund investment in recent years. Equities are not, however, always treated as an intrinsically long-term investment and can certainly be traded profitably.

Secrecy

The difference, explaining why property investment should sensibly be regarded as a long-term proposition, must therefore be sought in other features. The relative lack of liquidity may be one outstanding reason.

In the property market, some transactions may involve lengthy procedures, especially where development, refurbishment or complex financial arrangements are involved. Expenses in property transactions are comparable with, or a little higher, than those in equities.

But a significant volume of property transactions are carried out in what amounts to comparative secrecy, unlike the equity market where prices for marginal transactions are always freely quoted. Such a lack of information about deals taking place means that, in the technical sense, the property investment market is less efficient than the equity market.

Phillips and Drew says that, in this respect, there may be more scope in property than in equities for using superior information to produce a superior performance, although the lower level of liquidity in property may make it difficult to realise some of the profits in question.

With this factor in mind, the number of property performance measurement instruments is now proliferating, although the debate on the most useful, accurate and informative approach to this type of analysis is far from over. Attempts to establish such comparative exercises has at least highlighted the management weaknesses of many funds, who have simply been unable to provide the type of base data required.

The quality of pension fund management in the sphere of property investment is in itself a major debating point and there is little question that many rely heavily on the recruitment and retention of investment consultants to steer them through an area in which they themselves have little or no experience.

The question of overseas property investment brings doubts about the funds' capacity to enter such potentially high-risk waters out into the open. While most adopt the comparatively low-risk policy of buying into existing property investment operations, their ability to choose the correct partner has sometimes been in question and only time will tell whether the rush of investment activity in the U.S. in particular will have provided the type of returns the funds have been seeking.

But whether at home or abroad, as long as capital values in the long-term keep up with inflation and portfolio income offers a real, long-term return, property should remain a particularly suitable investment vehicle for pension funds, whose liabilities are calculated in terms of final salaries and, therefore, relate directly to the prevailing rate of inflation.

ANNUAL RETURNS

Year	Return on property unit trusts %	Return on equities %
1973	-23.1	—28.8
1974	—21.8	—51.7
1975	5.7	150.9
1976	4.4	1.7
1977	25.4	48.8
1978	19.2	8.2
1979	21.3	11.1
1980	18.1	35.0
1981 H1	7.7	12.9
Average 8½ yrs	11.1	10.8

Sources: Phillips & Drew

Mr Len Murray, TUC general secretary, and (far right) Mr Ken Livingstone, leader of the GLC, favour using pension funds to help start enterprise boards. Lord Lever (middle) believes the risks involved are not appropriate

Search for ideal strategy

IT WAS recently estimated that something like £300m to £400m is invested by UK pension funds in small companies, including all forms of direct and indirect holdings and nursery units, compared with total UK pension fund assets of over £50bn.

Before politicians throw up their hands in horror, they should perhaps take a look at what is happening in the U.S., a country which is often held out as a model for those wishing to encourage more venture capital in Europe. At the middle of September last year one estimate put the amount of money committed to "venture" type investments—via private venture capital firms, small business investment companies (SBICs) and subsidiaries of large corporations—at about $5bn.

Some of this was clearly accounted for by pension funds, largely through indirect support, but as Mr Stanley Pratt, of Capital Publishing Corporation points out, a mere one per cent of the estimated £730bn private and public sector pension funds in the U.S. would more than double existing venture capital investments in that country. Although it is fair to point out that American funds were held back by legal problems until 1978, the U.S. pensions industry is far from being the "shining example" which some people would have us believe.

Much of the pressure on UK pension funds to turn a tiny part of their huge resources to the smaller company sector is political. Awareness of the importance of the small business sector has grown significantly since the publication in 1971 of the famous Bolton Report, which proposed certain measures to deal with specific problems.

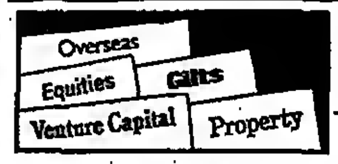
A more potent influence, however, was the Wilson Report on the City, or to be more accurate the expectation that the Committee to Review the Functioning of Financial Institutions might find that pension funds were failing to carry out their "responsibility." In the event the committee agreed that many of the problems of British industry were "neither of the Institutions' making nor within their capacity to solve." But the feeling that pension funds should show they were trying "to do more"—and Wilson's identification of the need for more encouragement—certainly seems to have inspired some managers and trustees.

The focus of the "political" debate is currently centred on local authorities. The West Midlands County Council and Ken Livingstone's Greater London Council have—despite legal obstacles—been ahead with plans to siphon off significant amounts of pension fund money into local enterprise boards, which in turn would promote local industrial and commercial development.

Earlier this month Mr Len Murray, TUC general secretary, said in London that the TUC will be urging trade union trustees to get their pension funds to co-operate in the establishment of similar enterprise boards. At the same time it is trying to restrict the investment of pension fund assets overseas.

Political pressure apart, there are a number of good reasons why pension fund managers are generally reluctant to commit significant sums to small or new companies—directly, at any rate. Finding good opportunities is a time consuming task and one which most fund managers with limited human resources at their disposal do not even attempt. "We prefer to spend our time doing other things which we can see more clearly offering a better return," says one.

Given the management effort and time required to take



Venture capital

TIM DICKSON

venture capital seriously most managers acknowledge the insignificant impact small company investments make on their funds' overall performance and therefore on the size of their members' ultimate benefits which they are employed to maximise.

Even this of course assumes that stakes in small companies prove a success. The picture of little firms growing big is the one that gives venture capital its appeal, but, in practice, the majority of new businesses stay small, some go bust and only perhaps one or two in 10 hit anything like the jackpot.

No reliable figures for company births and deaths in the UK are available but the anecdotal evidence of professional venture capitalists would certainly bear this out. Another problem is the unwillingness of many owners of small companies to give up a share of their equity and the regular monitoring which any institutional shareholder worth its salt should carry out.

No less a figure than Lord Lever, the independent-minded Labour peer who masterminded the last Labour Government's small firms policies, pointed out recently why pension funds are structurally unsuitable vehicles for taking stakes in small companies. "The kind of risks are not appropriate," he said. "Pension funds are geared up to put £10m into GEC but not £10m into a hundred or so small ventures. They do not have the local knowledge nor the business brains nor the sort of individuals who I would like to see performing this function with their own money."

In spite of all the inherent drawbacks, some funds (notably the National Coal Board Pension Fund and the Post Office Staff Superannuation Pension Fund) have committed part of their assets directly to small companies and into small nursery units for use by emerging businesses.

The experience of the Post Office, however, as explained in the fund's last annual report, illustrates another problem with the venture capital market. For out of the many propositions brought forward via the £10m DoI pilot scheme in the year to last March only two (involving £100,000) turned out to be suitable for investment. This seemed to reinforce the frequently heard comment that there is too much money chasing too few good opportunities. Since 1977, however, the NCB fund has invested perhaps £100m itself in venture and development projects.

An alternative strategy for a pension fund is to support with cash one of many specialist venture capital vehicles in the UK and let their experts get on with the job of picking winners. The NCB fund, for instance, has backed Thompson Clive Capital Growth Fund and Lovat Enterprise Fund, both of which direct their resources to the smaller company sector. Other examples include Moracrest (owned by the British Gas Pension Fund, Midland Bank and the Prudential), Meritor (Midland and the Rolls-Royce Pension Trust) and Candover which was formed by several investing institutions including the BP and British Rail Pension Funds to help finance managers wishing to buy into the businesses they operate.

Merchant banks are playing increasingly a role here and there are at least two in the City in the process of planning vehicles which would marry pension fund money and their contacts and expertise at picking suitable investments. The suspicion remains, on the other hand, that there may be too many people putting themselves forward as "venture capital" experts and not enough good opportunities to keep them all in business.

There is no getting away from the fact, however, that a staggering proportion of the nation's resources are controlled by private and public sector pension funds and that many small companies would be grateful recipients of even a very tiny slice of the money. The support of specialist funds is a far batter way of resolving this problem than simply chucking "conscience" money at a few lucky applicants or siphoning off resources for political reasons into enterprise trusts.

Letting in professional management

LIKE AN individual, pension fund managers can either invest directly in shares, fixed interest and property or, if they lack the necessary resources or expertise, they can purchase units in a unit trust. This choice has for many years been available to those managing private and public sector pension funds and, mirroring the experience of individuals (who bought units in record numbers in 1981), there would seem to be a certain amount of evidence that some managers are taking more readily to the unitised route.

This may, of course, partly be as a result of the publicity which trusts and particularly specialist trusts have been attracting. But there is more to it than that. After the abolition of exchange controls in October, 1979, investment pastures have opened up which, in the absence of in-house pension fund knowledge and skills, often require outside specialists to exploit fully.

It has quickly become the conventional investment wisdom since that watershed in UK economic history that geographical diversification is just as important for pension funds as spreading their assets across a number of industrial sectors. Although a sensitive political issue with some trade union trustees, investment institutions have therefore shifted significant sums of their money into overseas stock markets in the last couple of years pushing the proportion of assets outside the UK in many individual cases above the 10 per cent. Many of the bigger funds, of course, will have engineered this on their own, certainly where investment in the U.S. and Japan are concerned.

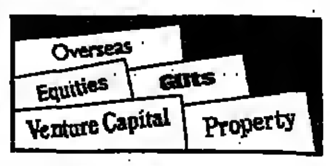
Others, including the merchant banks which manage so many billions of pounds of pension fund money, will have used international and other overseas specialist unit trusts to achieve their purpose (The merchant banks usually usa their own funds for convenience, rather than constructing separate portfolios for their clients).

In tha case of overseas equity investment the motivation for using specialist funds is to hire the skills of outside experts. Another area where unit trusts are used is property (a more traditional form of pension fund investment) with the reason more likely to be economy of scale. Regular valuations would be needed if property unit trusts were to be entirely equitable for buyers and sellers but the spread of risk which they provide offers a much better bet for the smaller pension fund than one or two lumpy individual holdings.

Specialist funds, therefore, given pension funds diversifications in particular areas of investment and open the door to more professional management than could be obtained from using internal resources. It is also worth pointing out that the tax position is more advantageous than it used to be.

Broadly speaking there are three types of fund on the market—authorised, unauthorised, and offshore. Authorised unit trusts are tha best known because they can be advertised by the managers—though they are largely made up of individual unitholders. This is because until the 1980 Finance Act authorised unit trusts paid capital gains tax on disposals inside the fund. This put pension funds, whose assats can be built up free of all taxes, at a disadvantage.

Pension funds had thus tended to opt (where available)



Specialist trusts

TIM DICKSON

for unauthorised unit trusts which were (and are) free of capital gains tax and did not put their institutional investors at this technical disadvantage. Authorised vehicles, on the other hand, do still suffer from one drawback, namely that corporation tax has to be paid on the excess of unfranked income over expenses. This means that technically unauthorised overseas trusts (which would receive a stream of unfranked income on which only income tax is payable) are a better bet for pension funds than authorised overseas trusts (which would be liable to corporation tax in this case).

The abolition of CGT on authorised unit trusts in 1980 otherwise removed the differences between the authorised and xempt vehicles.

Besides specialist overseas funds smaller company funds tend to be popular with pension funds and commodity funds (such as N. M. Rothschild's Old Court Commodity Fund) are used by the more ambitious. Commodities are generally considered too "speculative" for most pension fund trustees while there is little sign that any of the currency funds have found takers among the institutions.

Here are some comments from a range of investment managers on the question of specialist funds:

Matthew Oakesbott, of the £300m Courtaulds Pension Fund, says that the fund hed some money in a commodity, exempt European and exempt Far Eastern Unit Trust. Courtaulds is, however, developing its own European and Far Eastern expertise though Oakeshott does like some investment trusts as an indirect method of investing overseas and in unquoted companies. "Funds are useful for diversification and for those with limited resources but management in house is cheaper and easier to control."

Fidelity International Management, is managing £5m-£6m portions of two major UK pension funds and is using its specialist overseas unit trusts for this purpose. The group is planning a drive to pick up more cliants in this field and feels thet some pension funds are looking for other managers to competa with the merchant banks. Fidelity also runs offshore funds and says that some 75-80 per cent of its $120m Pacific Fund is held by pension funds and insurance companies.

Hill Samuel looks after a massive £1.6bn of pension fund money and points out that funds are particularly useful mediums for investment in agricultural land, commercial property, small companies and overseas markets. "It depends very much on the size and objectives of the penaion fund trustees," says Roger Kitson of Hill Samnel Investment Management. He is not keen on non-income producing assets like commodities for a pension fund and as for currencies, "We would do this ourselves."

Britannia Institutional Fund Management invests on behalf of pension funds, charities and insurance companies. Britannia's Peter Baker says that a typical £2m pension fund portfolio is split 60-40 between "core" and "performance." "We generally use a fund for the core part of the portfolio and pick individual equities for the rest."

"I cortainly think that acceptance of unitised vehicles is greater among pension funds than it was three to four years ago. In the past we have always assumed that the market for unit trusts is the private investor. We are, however, now putting more resources and effort into getting pension funds and insurance companies more involved. That is where we think the future lies."

TEXTILES IMPORT FLOOD

The case of the million dresses

By Anthony Moreton, Textiles Correspondent

"If you ask me the Koreans are exceeding their EEC quota of dresses again!"

AMONG THE shops on London's Oxford Street it has just been possible over the past week or so to find a couple of dresses made in South Korea. There was a little blue one in C & A marked down to £9.99 and a green one at £5.99.

The racks positively bulged with dresses from virtually everywhere else. A pure silk dress from [illegible] in Selfridges was selling at £9.95 and one in polyester georgette (a silk-like material) from Hong Kong at £138. There were acrylic jumper suits from Taiwan at £14.99, knitwear from Mauritius, Malta, Cyprus and Taiwan not to mention clothes from Finland, Germany, Italy and France.

The virtual absence of anything from Korea is surprising because last year that country sent nearly 1m dresses to the UK alone and caused problems within the Multi-Fibre Arrangement, the world agreement which tries to regulate trade in textiles and garments.

The case of the disappearing Korean dresses is a typical example of the way in which industrialised countries react too slowly, and often too late, to a sudden flow of goods which can do enormous damage to U.S. or European companies. Meanwhile the future of the MFA itself is increasingly in doubt. It has not proved flexible enough in the face of low cost imports. And the EEC Commission has also proved slow to respond to breaches of the agreement.

No one knows quite how many dresses the Koreans actually sent to Britain last year. The Korean embassy in London refuses to give a figure, saying the information could only come from the Department of Trade. But the British Government has no idea because the civil servants' strike last year prevented the collation of import figures between March and September.

We do know, by accident, that the Koreans sent 860,000 knitted and woven dresses to us between January 1 and September 19 last year, because the government in Seoul gave this information to the European Commission. The EEC had received complaints from both France and Italy about Korean textiles flooding their countries and sent a delegation to the Korean capital in September. What it discovered there led to a ban on the shipment of these dresses to Europe.

British manufacturers say bitterly that they simply cannot match the prices charged by the Koreans: the average wage cost in Britain is about £2.95 an hour, but only 73p in Korea. In Indonesia wage costs are about 35p an hour. In Sri Lanka they are a mere 8p.

The MFA is operated under the auspices of Gatt (the general agreement on trade and tariffs), involving EEC countries, the U.S. and some 40 countries, many in the Far East, providing low-cost goods.

It began in 1974 as an attempt to regulate the flow of goods from low-cost suppliers, so as to allow an orderly reorganisation of the European and U.S. industries, and in theory it should be able to control a sudden surge of imports such as happened last year with Korean dresses.

There are all sorts of mechanisms such as trigger levels, which are points at which action can be taken, and basket extractors. If an item not subject to a quota suddenly becomes a disruptive influence on the market it can be taken off the quota-free list (extracted from the basket, in official jargon) and given a quota.

But this mechanism depends on trade being monitored quickly and efficiently and action being taken swiftly. In Europe, where the Commission acts on behalf of its 10 members, this simply does not happen.

Textiles and garments have been divided into 123 categories, ranging from highly sensitive products in categories 1 to 8, likely to cause disruption and unemployment in Europe if too many come in, to relatively innocuous products in category 123.

The EEC negotiates a bilateral agreement with each supplying country and under that agreement negotiates quotas on individual products. That total is allocated among the 10 EEC countries by a complicated formula which takes into account historical trading patterns.

Korea was not party to any bilateral agreement but, according to the British Clothing Industry Association, has now been given a quota of 430,000 dresses for the UK alone, making it the third most important MFA supplier.

What worries the association is not just that Korea has jumped ahead of the other nine countries with which bilateral agreements have been reached, but that it has developed the capacity to supply so many dresses so quickly. Korea has, quite obviously, turned to producing dresses for Western markets because it has reached the limits for the exports of other items—suits, perhaps, or pullovers, anoraks or underwear.

Like so many other Far Eastern countries, it has immense capacity, enough to flood the European market with all sorts of low-cost clothes, and when its quota of one low-cost garment has been reached it is relatively easy to switch to another line. It is the sheer capacity of the low cost suppliers that worries the European industry.

Korea is not an isolated example, though it is considered to be a particularly serious one because it offers little in return. British goods attempting to get into Korea have to clamber over an 80 per cent tariff wall, and extras take the figure up to 100 per cent.

South Korea also vets applications for import licences extremely carefully which it can do with impunity because non-fiscal obstructions to trade do not fall within the ambit of Gatt.

Korea is not the only problem area. Two years ago the issue was jeans and shirts from Indonesia. From January to the end of July 1980, the Indonesians sent 1.3m shirts and 1.3m pairs of jeans to the UK, increases of 81,125 per cent and 14,980 per cent respectively over the same period a year earlier.

Britain complained, got EEC backing but little satisfaction from Indonesia and took unilateral action. The Indonesians retaliated with curbs against British capital goods and it took a lot of time and ministerial effort to defuse the ensuing row.

The European Commission reacts exceedingly slowly to complaints that markets are suddenly being flooded with imports from one source. Its response to the South Korean dresses was comparatively quick, but even so four times as many dresses had entered the UK in the first nine months of last year as in the whole of the previous year before action was taken.

There is another problem. The Commission is frequently accused of taking a "political" view of a trade matter.

In cases involving the Philippines, for instance, it has been reluctant to act because it is sensitive to the growing market for European goods in the countries belonging to the ASEAN pact—Malaysia, Singapore, Indonesia, Thailand and the Philippines.

The EEC considers these to be important markets for Community goods, especially those from West Germany. It is therefore loath to take any action on textiles coming from those countries for fear of retaliation against European capital goods.

And the British industry fears that after Korean dresses there are any number of clothing items waiting to grab a share of the market. Women's knitted suits from Korea, Macao, Thailand or Singapore could be next. In the first three months of last year 136,000 came into the UK from Macao alone, although the EEC was supposed to act after the total had gone over 29,000.

In the case of Thailand, 35,000 had arrived in spite of the existence of a trigger level of 29,000. And steadily growing numbers of men's overcoats and women's woven suits from the Philippines are being watched with anxiety.

The MFA has not proved sufficiently flexible to stop the flood and the EEC tends to react too slowly to prevent them scoring frequent goals. That is why Britain, France and Italy are threatening to pull out of the MFA unless the growth of imports is severely curtailed next year.

The March Budget

Why British industry needs new sources of finance

By Gordon Pepper

THE MEASURES I wish to consider have no *immediate* political appeal but it is important that some of them should be included in the Budget or introduced soon after. They are all possible remedies for a little understood but increasingly serious technical problem, namely, the growing disequilibrium between long and short term markets for credit in the UK. In my view, there is still time for remedial action but, if none is taken, there could be dangerous implications for both financial markets and the economy, perhaps at a time very near to the next election.

The credit problem in the UK is deep-rooted. When interest rates rose way into double figures some ten years ago, industry stopped borrowing in the long term market because of the risk of loss if interest rates subsequently fell. Instead, industry turned to the short term market, principally to the banks.

Such borrowing from the banks is not in itself inflationary. When it is financed by an increase in short term deposits, however, the money supply is increased and the inflationary potential is clear. In order to neutralise the impact on the money supply, both this and the last Government have been repaying previous government borrowing from the banks. The necessary funds to meet these repayments have, in turn, been raised through gilt-edged issues, ie, in the long term market.

A crunch point has now been reached because, for practical purposes, all such government borrowing from the banks has now been repaid. The room for manoeuvre within the banks' balance sheets has been exhausted and that within the Bank of England's has almost gone too. The overall result is that unless this severe technical problem is solved, an economic recovery in the near term cannot be financed by the banks without there being an explosion in sterling M3, with all the inflationary consequences if this is allowed to occur during an economic upswing, as it was in 1972/73.

One solution would be to encourage the banks to enter the market for long-term savings, as they do in Germany, but it is hard to see how this can be done within the present system of regulation in the UK.

A more feasible solution would be for the banks to make the necessary loans to industry but for the authorities to provide the finance. There could be a scheme of government refinancing similar, for example, to the old one for export credit.

A much better solution would be for industry's long-term finance to be provided by life assurance companies, pension funds and other long-term savings of individuals. The problem would disappear if industry would resume borrowing in the long-term markets. How can these markets be reopened?

> ❛ These discriminatory tax laws favour public-sector debt; they ought to be amended in the Budget ❜

The snag at the moment is the cost. Although Barclays Bank has just raised long-term funds at a fixed rate of interest of 16 per cent, the indications are that industry is not prepared to pay much more than 13 per cent. One possibility is the issue of variable rate rather than fixed-rate bonds, but it appears that investor appetite for such issues is modest. Apart from waiting for interest rates to fall, what can the Budget do to help?

The Budget could first remove the existing forms of discrimination against the corporate borrower. One of the reasons why a corporate bond has to be issued at a higher yield than a gilt-edged stock is that an investor in the latter is exempt from taxation on capital gains on stock held for more than one year. This concession should now be extended to corporate bonds.

Another example is that current tax law discriminates against the issue of "deep discount" bonds, ie, bonds on which the investor receives a lower coupon than usual in return for a capital profit at redemption. Such issues are potentially attractive to the issuer because of a beneficial impact on cash flow during the early period of the bond's life. At present, the Inland Revenue discriminates against such issues by not allowing the difference between the proceeds at issue and the capital repayment at redemption as an expense in the tax computation of the issuing company.

These discriminatory tax laws favour public-sector debt; they are forms of "crowding out," and ought to be amended in the Budget.

Finally, should there be discrimination in favour of the corporate borrower? The Grylls Committee of Conservative backbenchers has proposed that on loans for specific projects companies should pay interest *net of* corporation tax at the point of interest payment. I would argue strongly against any scheme of this sort applying to bank loans; there is, however, an excellent case in favour of some such provision for other sources of finance. Another possibility is that industry should be allowed to issue "tax exempt bonds," ie, bonds on which the holder would be exempt from the basic rate of income tax on the interest received. Although such changes in taxation would increase the PSBR, the overall effect should be a substantial reduction in sterling M3, and industrial financing would be put on a much sounder basis than at present.

The Chancellor showed that he is aware of the problems discussed above when he appeared before the Treasury Committee of the House of Commons last November. It is a pity that the various possibilities are not being debated openly instead of being lost in the shrouds of budget secrecy but I am hopeful that some remedial measures will be included in the budget.

Gordon Pepper is Joint Senior Partner, W. Greenwell and Co.

Letters to the Editor

Financing the support operation on the LME for tin

From Mr A Lipmann.

Sir,—Your article on tin (February 15) is possibly misleading concerning the support operation on the London Metal Exchange—that of the financing.

It is totally misleading to suggest that if you take the quantity of tin thought to have been bought over the last seven months by the support buyers, multiply it by the average price, you will come up with a figure for the cost of the operation. This simple arithmetic can be the only origin of the figure of £350m which your writer says the operation cost.

It is this kind of misconception which led those who sold short to do *so* in the belief that if that kind of money was being spent the market support would crack. In the event those sellers were wrong.

The only true cost is the *interest on money* borrowed in order to remove surplus metal from the market. If the operation had not taken place that metal would have had to be financed anyway. The true way of looking at the operation therefore is to compare the value of the joint production of the three major tin producers —Malaysia, Thailand and Indonesia—before and after the operation.

If this is done you come up with the following figures:

	£m
Value of joint production if sold at average £6,600	842
Value of joint production if sold at £8,870 (LME settlement, February 2)	1,131.81
Total increase in sales value of yearly production	289.81

If we take your figure that about 45,000 tonnes had to be bought in order to achieve the current cash price the cost of borrowed money at, say, 15 per cent interest, would be £52m if the stock was held for a whole year. The cost can therefore be easily written off against the £289.81m higher revenue to be realised by the higher price.

The operation on the LME continues to be carefully managed. Great care has been taken by the support buyers to release metal where there is real demand. If a corner had developed it would have meant that no metal at all was being released at any price. This is not the case and any metal released at the higher cash prices is re-purchased at the lower three-month prices. In this way the buyers may release metal to meet demand as and when it occurs but by their simultaneous three-month re-purchases maintain control of the stock.

Those who still misunderstand the motives of the Malaysian operation also misunderstand its strength and implications. What we are seeing is not just a buying operation on the LME for a short term profit—but a ruthless *self*-protection *of* ASEAN interests. It is a process of reverse colonisation that goes far beyond the LME and there is some truth in the Malaysian cry that as soon as they have learnt the rules of the game we are intent on changing them. They are unlikely to be beaten though and the tin price is just the tip of the "tinberg."

Anthony A. Lipmann.
M. C. Brackenbury and Co.,
19, St Mary-at-Hill, EC3.

Belfast is in business

From the Chairman, Harland and Wolff

Sir,—I refer to the possibly damaging article on the front page of Monday's issue relative to the present position of Harland and Wolff.

In order to correct the impression that the shipyard can only be kept open if it is given increased cash subsidies, I would like it to be known that: action taken by the company during the past year has enabled it to operate within the ceiling of Government financial assistance for 1981-82 which was agreed upon a year ago; and that further steps now being taken should similarly enable the company to operate during 1982-83 within the figure of Government assistance which was also under discussion some 12 months ago.

The above are facts and clearly indicate that although the company is still dependent upon Government funds it is making every effort to keep within pre-determined cash limits and has had a fair measure of success.

Articles such as appeared in Monday's issue create grave doubts in potential customers' minds as to the wisdom of considering the Belfast shipyard as the proper place in which to build future tonnage. It is therefore, essential when attempting to report current situations that great care should be taken, not just to avoid mis-statements of fact, but also to ensure that the overall impression is one of fact.

Vivian Wadsworth (Dr),
Harland and Wolff,
Belfast.

Proposals for London Transport

From the Chairman, London Transport

Sir,—I wholly endorse your leader of February 15 "Transport policy off the rails."

May I, however, make clear my own view on the future institutional structure under which *London* Transport might best operate.

As I suggested in my evidence before the House of Commons committee on transport for London on February 3, I believe that ownership of London Transport should, *logically*, be transferred to the Department of Transport, but that policy should be set through a policy body representative of the elected bodies concerned.

Such a transport policy board (not an authority, which *is* a proper title for an operator) would include representatives from London MPs, the London boroughs, the shire counties concerned (Berks, Bucks, Essex, Herts and Surrey), Greater London Council and, perhaps, consumers as well. That is broadly in line with your own proposals.

Certainly, such a policy body would be likely to bring much more stability towards meeting the needs for public passenger transport in London as well as making possible co-ordination and rationalisation of the different, and specialised, transport services provided by London Transport, British Rail and National Bus Company while, for reasons of good management and the gaining of the best value for money (not achieved by mergers) the different operating bodies remain separate.

I believe that specified levels of service provided at contract prices, backed by a pound-for-pound subsidy at realistic fares, could offer the standards of public transport for London which the nation and the capital is entitled to expect.

(Sir) *Peter Masefield.*
London Transport,
55, Broadway, SW1.

Sensible economic management

From Mr P. O'Brien

Sir,—Professor Andrew Glyn's article, "Time to seize the commanding heights" (February 10), raises questions which I *should* be grateful if he would answer.

What happened to the last lot of commanding heights seized in 1950? Coal, steel, the railways, electricity? Are not their high costs after 30 years of public ownership a cause of inflation, industrial decline, and unemployment? Do they have happy customers or a contented and hard-working labour force?

When he writes "Socialists . . . are always asked 'where will you get the money from?' and replies 'by *abolishing* the power of the City'", he plainly misunderstands the question. There is no stock of food, clothes, etc., in the City to fill the shops to redeem wages paid for work done uneconomically. *Would he please cite* an example of a working economy of the kind he and the Labour Party propose for Britain?

Is it sensible to risk destroying the jobs of the 90 per cent at work by a runaway inflation in the hope of *putting some of* the long-term unemployed back to work? Surely sensible economic management tries to maximise production not minimise unemployment. If, as in this country, a situation arises where the workers have such power that it is possible to increase output by 10 per cent by increasing unemployment by 5 per cent then it is sensible to do so until inflation is beaten and the workforce stops consuming more than its proper share. To continue "Keynesian" policies when unemployment is below its natural level (as Keynes would have described the phenomenon) is madness.

Patrick O'Brien.
51, Harpesford Avenue,
Virginia Water, Surrey.

No hold-ups across the Channel

From Mr J. Johnson

Sir,—And just who are going to drive Mr Gueterbock's trains (February 12) round the clock—Aslef members?

It is precisely because of this reliance on a third party to drive the trains or sail the ships that I remain a firm supporter of a channel tunnel/bridge which would allow any member *of* the public to drive across with the minimum of delay.

James R. Johnson.
"Rivendell,"
43 Denmans Lane,
Lindfield,
Haywards Heath, Sussex.

GrandMet quarterly sales rise

FIRST QUARTER group sales at Grand Metropoliten moved ahead from £799m to £948m for the period ended December 31 1981. This was an increase of 18.7 per cent. Excluding Inter-continental Hotels Corporation and Warner Holidays, both acquired during 1981, the increase was 14 per cent.

For the same period, net sales of Liggett Group rose from $292.21m to $316.08m. Earnings from continuing operations were higher at $18.3m against $16.41m after lower tax of $22.02m ($23.28m).

Bank Leumi's net profits lower in UK

CUSTOMER deposits, lending and trade services at Bank Leumi (UK) all showed satisfactory progress during 1981, but year-end net profits after tax and transfer to inner reserves were down from £514,000 to £471,000

The directors say that the lower level of sterling interest rates and the increase in costs, reflecting both inflation and expenditure on expansion, had an effect on net profit.

The bank's expansion continued during the year with the opening of a new branch at Edgware, Middlesex, bringing the total number of branches in the UK to five, and the doubling of the size of the Golders Green, London branch.

An unchanged final dividend of 7p is announced for a same-again net total of 10.15p. Dividends absorb £304,000 (same), leaving retained profits down from £209,000 to £167,000.

At the year-end current, deposit and other accounts stood at £207.67m compared with £187.12m, and loans, advances and other accounts totalled £74.66m (£65.86m). Total assets improved from £208.56m to £238.8m.

The bank is a 74.78 per cent owned subsidiary of Bank Leumi le-Israel.

Meldrum Investment

Net revenue of Meldrum Investment Trust fell from £761,390 to £712,563 for 1981, after tax of £347,984 compared with £374,942.

Earnings per 25p share are shown to have declined from 3.78p to 3.53p but the total dividend payment is stepped up from 3.25p to 3.45p with a final of 2.2p.

The net asset value per share as at December 31 1981 stood at 98.4p (91.6p).

Dalgety £3.4m higher at six months

SHARPLY HIGHER profits are reported by Dalgety, the international merchant, for the first half of the current year—the improvement being widely based with increased contributions from four of the group's five regions.

At the pre-tax level, profits emerged at £19.6m for the six months ended December 31 1981, compared with £16.2m, after taking account of interest charges which rose from £14.8m to £17.6m.

For the second half of the year Mr D. L. Donne, the chairman, says he remains confident that the results will again show progress despite the economic conditions.

Half-year tax was much the same at £6.9m (£7m) but minority debits were halved from £1.4m to £0.7m. Extraordinary credits totalled £2.6m (£3.5m) and attributable profits were well ahead at £14.6m, against £11.3m.

Stated earnings per £1 share came through 5.1p higher at 16p but the net interim dividend is being held at 11p—last year's final was also 11p.

The directors say the record half-year results were achieved against a background of continuing world-wide recession, high interest rates and fluctuating exchange rates.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bank Leumi (UK)	7	April 20	7	10.15	10.15
Dalgety ....int.	11	July 1	11	—	22
Elbief ....int.	0.39	April 15	0.39	—	1.3
Meldrum Inv.	2.2	April 8	2	3.45	3.25
Pentland	4.85	April 8	4.8	6.35	6.3
Temple Bar Inv.	5.4	Mar 31	5.2	7.9	7.7
Joseph Webb ....int.	0.13	April 14	0.12*	—	0.51*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues.

In Canada, excellent results from Balfour Guthrie helped to lessen the overall effect of a downturn in lumber, part of which was caused by an industry-wide strike in August and September. Reflecting confidence in the future of the lumber industry, Peace Wood Products was acquired for £12m last December.

There were satisfying improvements in the results from the U.S. The frozen foods business returned to profit and all other activities produced improved performances and these are expected to continue.

In the UK, Dalgety Spillers, created in 1980, made a further significant increase in profits despite many of its businesses being affected by the difficult economic climate. Malting had a good first half with buoyant exports, the agriculture and feed divisions were ahead of last year and milling produced a "satisfactory" result. Only the food sector, which found trading conditions particularly difficult, did not match last time's performance.

Improved profits from New Zealand were mainly because of good results from rural agency and meat processing activities. Australia made further progress as a result of increased profits from manufacturing and machinery distribution which more than offset reduced rural agency profits caused by lower livestock throughout and prices.

An analysis of group turnover (£1.23bn, against £1.07bn) and profit before interest and tax (£37.2m), against £31m for the six months by regions shows: UK £626m (£592m) and £20.3m (£18.6m), including other European countries; Australia £80m (£70m) and £5.3m (£4.2m); New Zealand £86m (£66m) and £5.6m (£4.6m); Canada £107m (£87m) and £1.5m (£2.4m); U.S. £330m (£252m) and £4.5m (nil); Africa contributed profits of £0.6m (£1.1m) and central income less expenses resulted in a deficit of £0.6m (£0.1m surplus).

Turnover activity showed: agricultural service and supply £293m (£261m), food processing and distribution £550m (£450m), cereal processing and compounding £212m (£196m) and other £174m (£160m).

As at December 31 1981 the group short-term borrowings of £90m (£97m) and loan capital of £164.4m (£133.2m). Included in these totals, secured borrowings amounted to £12m (£6.5m) and £43m (£45.4m) respectively.

If calculated on December 31 1981 exchange rates, 1980 borrowings and attributable profit would be stated at £254m and £11.7m respectively.

See Lex

Howard Machinery shows some recovery

FOR THE year to October 31, 1981 Howard Machinery, the farm equipment group, returned taxable profits of £78,000, compared with a restated loss of £5.2m, on turnover marginally higher at £44.12m, against £43.31m.

The comparable figures were adjusted to exclude from the operating results the sales and profits of subsidiary companies which were sold with effect from December 1980. During last year these companies contributed pre-tax profits of £2.28m and after tax earnings of £1.5m.

The taxable profit for the year under review was struck after interest charges of £2.13m (£3.97m) and included a share of losses of associates which rose to £173,000 (£17,000).

Tax took £536,000 this time, against a credit of £1.6m previously, including a deferred credit of £11,000 (£2.12m). For 1980 there was also a tax charge of subsidiaries sold amounting to £785,000.

Minority debits were £17,000 (£14,000) and extraordinary credits, mainly representing profits arising from the sale of overseas properties, totalled £357,000 (£2.26m debits).

There is again no dividend for the year—the last payment was a final of 0.59p net, which made a total of 1.17p, for 1979.

After six months pre-tax losses had been reduced from an adjusted £2.24m to £934,000.

● comment

Howard Machinery's efforts are still largely swamped by interest charges but signs of recovery are beginning to surface. Trading profits have turned round by £3.6m and debt servicing costs have almost halved. Gearing has been cut from 59 per cent to 45 per cent and should fall further. Stocks have been cut by £2m to £14.5m, an Australian disposal made £800,000 and the old Sproughton headquarters released £140,000. The Saxham and Halesworth—expected to realise between £2m and £2.5m—are still awaiting takers. The sales profile is beginning to shift for the better. The UK contribution has dropped six points to represent a fifth of total turnover while the Australasian take has risen five points to 18 per cent. And for the first time in what seems a long time, the group is putting potentially valuable new products into what remains a powerful worldwide distribution network. The French subsidiary has introduced a tractor-driven grape harvester, a new wine press has come on to the West German market and Howard seems delighted with the success of its new Paraplow. Original output targets of 70 units last year were swiftly raised to 250 and the group now thinks it can quadruple that level of sales this time. The shares are still below par—unchanged yesterday at 24p—but are now starting to look somewhat more attractive.

Crest International profits upsurge

PRE-TAX profits of Crest International Securities, which is quoted on the Unlisted Securities Market, jumped from £15,894 to £606,898 in 1981 and the directors say the company is in a strong position for continued growth and prospects are good.

Gross income for the year under review pushed ahead from £39,949 to £914,497. Tax took £284,369 (nil) and there were extraordinary debits of £154,032 (£21,689).

Earnings per 10p share are shown to have risen from 0.49p to 1.12p and the final dividend is 0.25p net.

All the group's intangible assets including goodwill, deferred acquisition and share issue costs have been written off during this current year, although it was previously stated that they were going to be amortised over a period not exceeding five years.

The investment properties held by the group now amount to almost £5.5m and the present net rental income totals some £700,000 per annum.

Construction has now commenced on the group's new commercial development at Camden Town, London, consisting of 60,000 sq ft and a smaller development in Greenock, Scotland, of 13,500 sq ft is almost completed.

On completion of the two current developments which are already 75 per cent pre-let, the group's net rental income (assuming those developments are retained) will be over £1m per annum, most of which is receivable from major company tenants.

Joseph Webb lower

TAXABLE profits of Joseph Webb were down from £271,036 to £239,572 for the half year to September 30, 1981. Turnover rose slightly from £2.48m to £2.61m.

A net interim dividend of 0.1313p will be paid on capital increased by a one-for-10 scrip issue. Last year an adjusted interim of 0.1193 was paid and a final of 0.3916, making a total of 0.5109.

The group is a holding company for estate development, property investment, holidays and leisure.

Stated earnings per share were down at 0.76p against 0.81p—adjusted for the scrip issue.

Trading profit before interest is £397,569 (£430,226) and takes into account a depreciation charge of £179,686 (£163,969). Contributions were made by: holiday and leisure £327,048 (£361,327); property £70,521 (£68,899).

The directors say there is *prospect of improvement* through rental reviews. They point out that one half of the full-year's results from holiday and leisure interests is included.

They say there were no land sales to report and they do not anticipate a contribution from this sector in the second half.

The directors forecast that pre-tax profit for the year ending in March will make a reduced contribution overall compared with last year.

They report that a wholly-owned subsidiary acquired a leasehold interest in a caravan park at Frejus on the Cote d'Azur. It has a capacity for approximately 200 mobile homes. Bookings are being accepted for the current season and the project is expected to be fully developed for the 1983 holiday season.

They add that the current year is likely to continue to be difficult. Holiday bookings are down on last year, and although they feel it is a little too early to forecast final results with any accuracy, indications are that bookings are likely to be down on those finally obtained for last year.

They also feel the holiday contribution to 1983 profits will be reduced.

Taxable profits were struck after interest of £157,697 (£159,200). Profit after tax was down at £201,000, against £214,000, after tax took £38,472 (£56,160).

TRUSTS BORROW

The following borrowings were made from Morgan Guaranty Trust of New York yesterday: Murray Western Investment Trust—$4m and Y450m; Murray Clydesdale Investment Trust — $2.5m and Y350m; Murray Glendevon Investment Trust—$800,000 and Y100m.

The dollar borrowing has been drawn for one month and the yen borrowing for six months for each company.

The borrowings will be used for portfolio investment.

Barclays ahead by 5.2% in S. Africa

SOUTH AFRICA'S largest banking group, Barclays National Bank, which is 60 per cent owned by UK headquarters Barclays Bank, increased its pre-tax operating profit by 5.2 per cent to R124.7m (£68.59m) in 1981 from R118.5m in 1980. At the after-tax level profit was 5.5 per cent ahead at R80.6m against R76.4m in 1980.

Though the year's results were adversely affected by strong increases in interest rates, Barclay's directors are confident that further growth is possible in the current year and that the group has positioned itself correctly in the market place.

In commercial lending operations emphasis has been placed on the manufacturing and service sectors of the economy—those sectors the directors believe have the greatest growth potential. Most of last year's growth was due to commercial banking. It recorded an 8 per cent pre-tax profit increase to R85.4m.

But, as certain leasing contracts were transferred to the recently established industrial banking arm, after tax profit on commercial banking fell by 2.9 per cent to R57.2m. On the other hand, the industrial bank's after tax profit rose from R430,000 to R6.2m.

Wesbank, the wholly-owned subsidiary which concentrates on hire purchase financing, suffered as rising interest rates pushed up the cost of funds. Hire purchase contracts, which are at fixed interest rates, generally have an average life of about 28 months—and it is therefore difficult to adjust lending rates in line with borrowing rates. Wesbank's after tax profit declined to R7.6m from R17.5m.

Total group assets grew by 25.7 per cent to R10.93m from R8.695m. Unofficially the directors expect further assets growth of about 20 per cent this year.

They believe that this growth in assets and a concomitant increase in liabilities to the public can be contemplated without recourse to further equity capital and without exceeding statutory capital: liabilities ratios.

Last year the group's return on total assets was 0.77 per cent against 0.88 per cent in 1980. Return on shareholders' funds was 19.8 per cent against 22.1 per cent in 1980.

A total dividend of 63 cents has been declared from earnings of 151.4 cents a share. In 1980 earnings were 143.6 cents a share and a total dividend of 58 cents a share was declared.

Parkfield tumbles midterm

FOR THE 26 weeks to October 31 1981 taxable profits of Parkfield Foundries tumbled from £111,000 to £14,750 although turnover was virtually maintained at £2.4m, compared with £2.23m—the comparable figures covered a 27-week period.

After lower tax of £4,000 (£53,000) and extraordinary debits of £22,100 (nil), being redundancy payments, the group fell into the red, incurring a loss of £11,350, against a surplus of £58,000.

Despite stated earnings per 5p share declining from 1.93p to 0.36p the net interim dividend is held at 0.35p—a final of 0.525p was paid for 1980-81.

The directors of this iron castings supplier, whose shares are dealt in on the Unlisted Securities Market, say the group was again affected by the recession and had to reduce capacity causing 40 redundancies.

They add that the effect of these job losses, together with extreme climatic conditions during December and January and increased raw material costs—especially scrap steel not immediately recoverable from customers—have resulted in losses in the third quarter.

However, the order book at present gives a satisfactory forward load at the reduced capacity, and the directors expect the group to be profitable during the last three months of the financial year.

SPAIN

February 16	Price %	+ or —
Banco Bilbao	335	−2
Banco Central	357	−3
Banco Exterior	310	−5
Banco Hispano	316	−2
Banco Ind. Cat.	115	
Banco Santander	359	−1
Banco Urquijo	226	
Banco Vizcaya	377	−6
Banco Zaragoza	238	
Dragados	170	−6
Espanola Zinc	65	
Fecsa	62	
Gal. Preciados	45	+0.5
Hidrola	66.2	
Iberduero	53.5	−0.5
Petroleos	101	−1
Petroliber	94	
Sogefisa	14	−1
Telefonica	72	−1
Union Elect.	65	−0.2

THE TRING HALL USM INDEX
117.3 (−0.5)
close of business 16/2/82
BASE DATE 10/11/80 100
Tel.: 01-638 1591

LADBROKE INDEX
Close 557-562 (−6)

Companies and Markets

BIDS AND DEALS

Bid for ACC: directors' pledge revealed

BY JOHN MOORE

Bell Group, the master company of Mr Robert Holmes à Court, the Australian entrepreneur, yesterday revealed details of a pledge of support by directors of the main board of Associated Communications Corporation for an offer made for ACC last month by Bell.

The declaration, sought last week following speculation that directors of ACC were wavering in their support of the Bell offer in favour of a bid by Heron Corporation, says that "being parties to the agreement made with the Bell Group and announced in a joint press statement dated January 14 1982 hereby declare:

"1. We intend to give effect to the content of that agreement both as to the letter and the spirit thereof.

"2. We will accept the offer that will be made by the Bell Group pursuant to the announcement in respect of our own shareholdings either in accordance with the irrevocable undertakings that we have given or, alternatively, we will accept in any event and irrespective of the terms of such letters (irrespective of what advice we may be obliged to give to other shareholders from time to time).

"3. We will take no steps to frustrate the agreement and will vote in favour of the execution of the necessary deed with the Independent Broadcasting Authority to give effect to such agreement at an extraordinary general meeting or otherwise.

"4. That the agreement with Bell and the undertakings that we gave to Bell on January 14 1982 were in the best interests of ACC, its shareholders, management, customers and subsequent events have confirmed our opinion.

"5. That this declaration is not confidential."

Directors of ACC have undertaken to accept the Australian's offer in respect of their shareholdings of around 64 per cent of the voting shares.

Mr Holmes à Court held a press conference yesterday, after he adjourned an extraordinary general meeting to approve the compensation payment of £560,000 to Mr Jack Gill, ACC's former managing director. The resolution was not put to the meeting for approval of the payment because of outstanding legal action by the Post Office Staff Superannuation Fund and other institutional shareholders which seeks to block the payment.

He told shareholders that the situation was no different from the earlier meeting except that the Post Office Staff Superannuation Fund had gained an interim injunction which would have made a resolution passed approving the payment "inoperative."

The meeting was adjourned until 2 pm on March 18.

At the Press conference, Mr Holmes à Court explained that the reason why two offers from the Bell Group—one for £36m and one for £46.6m—for ACC were running concurrently was that "it is not possible to revise the first offer and make it conditional. The second offer is conditional upon 90 per cent of *the issued ordinary share* capital accepting the bid. We have synchronised them so shareholders have an explanation before them at the same time."

He said that if the second offer fails, and 90 per cent of the shareholders do not want it, the first offer remains.

Williams Hudson faces liquidation

THE DIVERSIFIED property and distribution business Williams Hudson Group was yesterday holding discussions with its bankers and with Prudential Assurance, the trustee to one of its subsidiaries' debentures, to consider arrangements for its imminent liquidation.

The talks, which are due to continue today at the offices of the Prudential have followed the despatch of a letter to stock and shareholders from Mr David Rowland, the group's chairman, explaining the background to the liquidation. The financial position, says the letter, "does not make happy reading."

Mr David Rowland, the controversial financier who first made his reputation in the boom markets of the early 1970s, owns 95 per cent of the group through a parent company, Williams Hudson Industries SA, registered in Panama.

Accompanying news of the liquidation plans was a withdrawal by Mr Rowland of proposals he made last August for the Panamanian company to buy out the minority shareholders and redeem outstanding loan stock.

These have been abandoned since they relied on the value of the Panamanian company's majority holding, now "rendered worthless." A general arrangement with all the group's creditors would be necessary in order to help these shareholders and stockholders, says Mr Rowland in his letter.

He concludes that "realistically there is virtually no hope of such a solution being achieved."

The group's shares were suspended on the London Stock Exchange at 90p in March 1981. The financial year which ended that month was later reported to have included operating and extraordinary losses which reduced net book value by £23.03m.

The accounts were published in December with a heavy qualification from auditors Thomson McLintock. They showed shareholders' funds at £6.1m against £28.4m a year earlier.

Now Mr Roland has disclosed the "failure of our two principal ventures" due to "a virtual collapse of both markets" in which they were operating—synthetic fuels and gold.

A petition seeking the liquidation of the group is to be heard on March 1. It is being presented by one of the creditors to Marsco Corporation, through which Williams Hudson invested in a Texan methanol project dependent on the synthetic fuels market.

The group's other main asset is the Renable gold mine. This together with the share capital and assets of all Williams Hudson's subsidiaries could be made available to the secured creditors.

However, the petition—which Mr Rowland has indicated will not be opposed—will not directly involve the liquidation of these subsidiaries. Their position "will be determined by their respective creditors."

One important category of the subsidiaries' creditors comprises the holders of a 6 per cent 1983-88 debenture and a 7¾ per cent 1992-97 debenture issued by Williams Hudson Limited. About £2.3m of these securities is believed to be outstanding.

The debenture carry a sinking fund previously satisfied by market purchases. Without a market quota for the debentures, a draw will be necessary on February 19 and a repayment of the selected debentures is due on March 31.

The legal and financial complications now threatening the repayment remain unclear, and the Prudential was yesterday unable to comment on the situation.

Holden recommends acceptance

Arthur Holden, the Birmingham-based specialist paint maker, yesterday formally advised shareholders to accept the £12.8m cash offer made at the beginning of the month by Imperial Chemical Industries, Britain's biggest company.

The offer document, posted yesterday, recommends acceptance of 180p per Holden share or ICI stock of an equivalent value. It also reveals that the Holden board now expects pre-tax profits of £1.65m in the year to March 31 1982 against £1.4m last year.

The offer represents a premium of 51 per cent to reported net worth and a multiple of about 20 times 1980-81 fully taxed earnings.

Mr Philip Sturge, chairman of Arthur Holden, said yesterday that following a number of "dawn raids" last year, the company decided in the autumn that, at a certain price, it would not be able to remain independent.

It had discussions with a number of potential partners, including overseas companies, and finally concluded that a link with ICI offered the best opportunities.

Holden's share price rose in January when Courtaulds' owned International Paints' 88 per cent subsidiary took a 12 per cent stake and expressed interest in a merger.

The offer closes on March 17.

ICI believes the acquisition will complement its existing business and does not foresee any redundancies.

Whitecroft disposal

Whitecroft has sold Randalls Northern Electronics for £315,000 cash and net loans and dividends due from the subsidiary of £18,600 to an undisclosed private company. Net assets of Randalls at March 31 1981, were £44,000 and its pre-tax profit for the year was £50,000.

The company, located in Nottingham and employing 70 people, makes electrical assemblies and sub-assemblies for the telecommunications industry.

COMPANY NEWS

Elbief has first half increase

AN INCREASE of £33,000 to £136,000 in pre-tax profits is reported by Elbief Co. for the half-year to October 31 1981. Turnover of this manufacturer of handbag frames, leather goods accessories and picture frames, fell slightly from £1.33m to £1.31m.

The directors say that trading conditions remain very difficult, and the home market shows very little sign of recovery. They add, however, that its company is fortunate that its export market is very well spread, helping to minimise the effect of the recession in the UK.

Estimated tax is £70,000 before taking into account any stock inflation adjustments capital allowances and other adjustments affecting the end-of-year figures. The interim dividend is unchanged at 0.385p—last year's total was 1.303p net.

Temple Bar at £3.38m

Pre-tax earnings of Temple Bar Investment Trust were slightly down from £3.42m to £3.38m during 1981. Earnings from the investment trust company were £3.37m against £3.42m but other companies improved their share from £1,377 to £15,061. Gross revenue was up from £3.65m to £4.02m.

There was a tax charge of £1.07m (£1.1m), leaving group earnings at £2.31m compared with £2.32m. Fully diluted earnings per 25p ordinary stock unit were 7.922p (7.959p).

The final dividend is raised from 5.2p to 5.4p for an increased total of 7.9p (7.7p) net. A one-for-one scrip issue is proposed.

At December 31 1981 net asset value per ordinary stock unit was 143.72p (142.53p) and fully diluted net asset value 143.59p (142.31p).

Pentland Inv. net income holds steady

A MARGINAL fall from £1.16m to £1.13m in net income was shown by Pentland Investment Trust for 1981. Gross income was unchanged at £1.96m.

The further transfer of funds from the UK to lower yielding investments in the U.S. and Japan has resulted in a small decline in earnings per share to 6.38p against 6.43p before. The directors point out that the transfer was highlighted in the last annual statement and that the estimate for the current year's earnings per share shows an increase on the 1981 figure.

The final dividend is higher at 4.85p, compared with 4.8p, and brings the year's total payment to 6.35p (6.3p).

Net income was struck after higher interest and expenses of £176,844 (£159,041). The tax charge was similar at £649,875 (£647,229).

Final quarter set-back for Hunt Chemical

HEAVY PRE-TAX losses are reported by Philip A. Hunt Chemical Corporation, a 63.5 per cent owned subsidiary of Turner and Newall, for the fourth quarter of 1981. The figures show a loss of $1.29m for the continuing operations for the 14 weeks to January 2, 1982 compared with a profit of $137,000 in the 13 weeks to December 27, 1980.

For the 53 weeks to January 2, profits were $5.58m against $7.75m for the 52 weeks to December 27, 1980. Net sales for the 53 weeks advanced from $106.3m to $111.87m.

Hunt expects its electronics business to begin a profit recovery from the final quarter of 1982 and this, coupled with the steady growth already apparent in its photographic and electrostatics activities, should make 1982 a year of strong recovery for Hunt Chemical.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ariel Industries, Bogod-Pelepel, United Real Property Trust.
Finals: Bath and Portland, Bristol Queleast, Copenhagen Handelsbank, Foreign and Colonial Investment Trust, Gillett Brothers Discount, John Hadland, London and Lomond Investment Trust.

FUTURE DATES

Interims:

Footwear Industry Invests.	Feb 25
Green (R.) Properties	Mar 10
Telefusion	Feb 19

Finals—

Anglo International Inv. Trust	Feb 22
Cardinal Investment Trust	Feb 25
Crittall-Hope	Feb 24
Davies and Metcalfe	Mar 2
English and Scottish Investors	Feb 22
Erith	Feb 23
Grindlays	Feb 23
Miller (F.) (Textiles)	Feb 19
Scottish United Investors	Feb 19

LONDON TRADED OPTIONS

Feb. 16 Total Contracts 2,116. Calls 978. Puts 1,138.

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
[illegible]								

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1981-82 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
[illegible]								

Prices now available on Prestel page 48146.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$375	114	3.50	15	24	7	38	$376
GOLD C	$400	—	—	30	14.50 B	6	26 B	"
GOLD C	$425	—	—	67	6	—	—	"
GOLD C	$450	—	—	40	4	—	—	"
GOLD P	$350	—	—	100	6	2	2	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 2727

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]	

■ Members of the Accepting Houses Committee.

Denison diversification to pay off this year

BY KENNETH MARSTON, MINING EDITOR

HELPED BY higher oil and gas revenue Canada's Denison Mines came out of 1981 with the second best earnings in its history, albeit at C$62.4m (£27.9m) they compared with the record C$73.7m achieved in 1980.

Last year's gross revenue from all sources increased by 17 per cent to C$425m and at the annual meeting the chairman, Mr Stephen B. Roman, said that he expected a sales revenue of C$3bn in the next five years, reports John Soganich from Toronto.

Mr Roman said that the natural resource group's diversification programme "will begin to bear fruit in 1982." He pointed out that this year will see the results of the first full year of operation of the uranium expansion programme at Elliot Lake in north-east Ontario.

Oil, gas and sulphur production in Greece and oil output in Spain will approach design rates by the end of 1982. U.S. gas production will more than double as the wells in the Gulf of Mexico are brought into production in March.

Looking beyond 1982, Mr Roman said that Denison is actively proceeding with the development of the Quintette coal property in north-east British Columbia, expansion of oil and gas operations in various parts of the world and potash development in New Brunswick.

At another Toronto meeting, that of Teck Corporation, the president Dr Norman B. Keevil commented on the December quarter loss of C$349,000 which compares with a profit of C$5.9m a year ago, the figures being before extraordinary items.

Dr Keevil said that all the group's established divisions operated profitably during the quarter except for the 73 per cent-owned Afton copper-gold mine which has been hit by a strike since November 20.

Teck's new Highmont copper-molybdenum mine has now reached its full monthly milling capacity and is producing a profit before financing costs. But Dr Keevil pointed out that it will have a negative impact on Teck's earnings until the price of copper improves.

He added that this would apply to any new copper mine if placed into production at today's metal prices.

Meanwhile, Copperfields Mining, which holds 51 per cent of Teck, reports a first-quarter loss of C$482,000, before extraordinary items, compared with a profit of C$972,000 a year ago. As with Teck, the company's financial year runs to September 30.

Perak now buys 20% of Rahman

BARELY two weeks after taking a 30 per cent stake in Gopeng Consolidated, the Perak State Development Corporation (PSDC) is buying a substantial interest in another publicly listed tin company operating in Perak State, reports Wong Sulong from Singapore.

Rahman Hydraulic Tin, which has some very rich mining leases in Klian Intan, near the Thai border, said it would issue 5.62m new shares of M$1, amounting to 20 per cent of its enlarged capital, to PSDC at a price of M$1.2 (28p).

Like the Gopeng deal, the shares are being sold to PSDC at a hefty discount on current market prices of M$5.3 (around 120p in London) on the understanding that PSDC will get Rahman's leases, expiring at the end of next year, renewed for another 15 years.

The two purchases indicate that the Perak State Government is moving to play an active part in tin mining activities in the state, following the footsteps pioneered by the Selangor Government a few years back.

Rahman, which also owns a rubber plantation with real estate potential, is an associate of Perlis Plantations, the sugar-based Malaysian group.

Agnico-Eagle prepared to stockpile its gold

IF THE price of gold should fall to the $350-$360 per ounce level (it is currently $375¼) Canada's Agnico-Eagle will stockpile its production of the metal as the company has been doing with its silver output since July.

Stating this the president, Mr Paul Penna, pointed out that the company has over 1m ounces of silver in its stock, of which 220,000 oz are contained in concentrates and the rest in broken ore. A further 750,000 oz is expected to pile up this year as the company awaits an improvement in silver prices. Sales are to be resumed when the price—now $8.60 per oz—rises to $12-$13.

Mr Penna reckoned that earnings in the 1981 fourth quarter had fallen to 4-5 cents (Canadian) per share from 42 cents a year ago when precious metal prices were much higher. The company's results for 1981 are not due until March but this estimate suggests net income of 32-33 cents, compared with $1.30 for 1980 when earnings were C$18m (£8.05m).

As far as 1982 is concerned, Mr Penna expected that after the previous year's difficulties gold production costs would fall to C$250 (US$205) per oz. Bullion output from the Eagle mine should rise to 45,000 oz from 40,00 oz and if the gold price averaged US$450 this would result in maintained gold revenue.

Australian oil flows leave sharemarket cool

NEWS OF two promising oil flows from the Queensland and South Australia sectors of the Cooper Basin failed to prevent heavy selling of Australian oil and gas stocks on Sydney, Melbourne and London stock markets yesterday, writes Stephen Thompson.

The Australian sharemarket has been under sustained pressure in recent days, burdened by fears of a prolonged period of high interest rates, speculation that a possible devaluation of the Australian dollar, is on the cards, the spectre of weak metal prices for some time to come and a spate of dismal trading performances from the leading industrial and mining companies.

Adding to the gloom in the oil and gas sharemarket has been pressure on world oil prices and the continuing oil glut.

Against the general trend, however, one of the small exploration companies to have moved up sharply in the past three months is Claremont Petroleum, which holds a 10 per cent interest in the Naccowlah Block of the Cooper Basin.

Claremont's shares shot up to 99p in the wake of the 4,000 barrels a day oil flow from the Jackson 1 wildcat well drilled on the Naccowlah Block.

A second well, Jackson 2, drilled to outline the extent of the oil reservoir discovered by Jackson 1 was reported yesterday to have flowed oil at a rate of approximately 490 barrels a day.

Jackson 2 has reached its target depth of 5,083 feet and tested the oil over the interval 4,719 to 4,742 feet. Tests of the main zone of interest in Jackson 2 will be carried out later in the programme. Jackson 2 is located one kilometre east of Jackson 1.

Cadbury Schweppes S.A. well ahead

Cadbury Schweppes (South Africa), which is 66 per cent-owned by Cadbury Schweppes, the soft drinks and confectionery manufacturer, achieved higher sales and profits in its Cadbury and Schweppes divisions in the 52 weeks ended January 2, 1982.

Operating profit improved from R7.41m to R9.27m on higher turnover of R62.3m, against R50.6m.

Operating margins remained under pressure as a result of continuing strong competition. The company has adopted LIFO (last in first out) accounting policies and this reduced operating profit by R907,000 to match current revenue with current costs.

The total dividend is being lifted from 36 cents to 46 cents from earnings of 112.8 cents (96.4 cents) calculated after the LIFO adjustment.

Setback for Community Radio Services

IN THE YEAR ended September 30 1981, Community Radio Services, the independent radio station serving Ulster, suffered a setback. Turnover fell by 20 per cent to £1.37m and profit before tax slumped from £290,651 to £37,603.

Mr J. T. Donnelly, the chairman, had already warned of a decline in advertising revenue and the uncertain trading situation, and says "our predictions proved to be all too correct."

The profit, he says, reflects the high level of direct costs such as the IBA rental, Performing Right Society / Phonographic Performance Ltd. and Mechanical Copyright Protection Society, and the Musicians Union, which are all revenue related costs. Over 64 per cent of total revenue came from local advertisers.

Earnings per share for the year fell from 33.6p to 4.43p, and the final — and only — dividend is cut from 20p to 15p on the founder shares and from 10p to 7½p on the ordinary. Totals for the previous year were 30p and 15p respectively. There was a net outflow in funds of £154,828 (inflow £172,213) during the year.

On the future the chairman says persisting recession and local conditions continue to influence the trading situation. The first quarter of the current year, although somewhat more buoyant, still falls far short of the company's "natural expectancy."

YEARLINGS

The interest rate for this week's issue of local authority bonds is 14½ per cent, down one-eighth of a percentage point from last week and compares with 12½ per cent a year ago. The bonds are issued at par and are redeemable on February 23, 1983.

A full list of issues will be published in tomorrow's edition.

CAMRA (Real Ale)

Camra (Real Ale) Investments has completed its rights issue with acceptances of 93.7 per cent including excess and preferential applications.

CURRENCIES, MONEY and GOLD

Dollar steady

Dollar finsbed little changed in European currency trading as the firmer trend in the Federal funds overnigbt rate was balanced by profit-taking after the doller's recent gains. One small U.S. bank raised its prime lending rate, and one major bank its broker loan rate—often a sign of higber prime ra(es—bu(this came too late to influence the London market. Eurodollar rates, which rose on Friday and Monday, while U.S. domestic markets were elosed, showed a slightly easier trend yesterday.

DOLLAR — Trade-weighted index (Bank of England) was unchanged at 113.4, against 112.9 six months ago. Three-month Treasury bills 14.70 per cent (15.57 per cent six months ago). Annual inflation rate 8.9 per cent (9.6 per cent six months ago)—The dollar was uncbanged at DM 2.3950 against the D-mark, rose slightly to FFr 6 0760 from FFRr 6.0750 against the French franc, but fell to SwFr 1.9110 from SwFr 1.92 in terms of the Swiss franc, and to Y240.60 from Y240.75 against the Japanese yen.

STERLING — Trade-weighted index 91.6 against 91.6 at noon, 91.7 in the morning and at the previous close, and 91.3 six months ago. Three-month interbank 14⅜ per cent (14$\frac{1}{16}$ per cent six months ago). Annual Inflation 12 per cent (unchanged from previous month) — The pound opened at $1.8335-1.8345, and touched an early peak of $1.8340-1.8350, before falling to $1.8280-1.8270 in the afternoon, and closing a1 $1.8310-1.8320, a fall of 60 points on the day. Sterling fell to DM 4.39 from DM 4.40; to FFr 11.1275 from FFr 11.1575; to SwFr 3.5050 from SwFr 3.5275; and to Y441 from Y442.50.

D-MARK — EMS member (third weakest). Trade-weighted index 120.9 against 120.8 on Monday, and 115.2 six months ago. Three-month interbank 10.30 per cent (12.925 per cont six months ago). Annual inflation 6.3 per cent (unchanged from previous month)—The D-mark showed mixed changed at the Frankfurt fixing, improving sligbtly against the dollar, but weakening by e small amount against sterling and the Swiss franc. It rose against four members of the EMS bnt declined against the Dutch guilder ond Belgian franc. The Bundesbank did not intervene when the dollar fell to DM 2.3984 from DM 2.4004 ond was probably not active on the open market. In late trading the U.S. currency eased further to DM 2.3950. The pound rose (o DM 4.3890 from DM 4.3870 a(the fixing but oased slightly towards the close.

SWISS FRANC — Trade-weighted index 151.9 against 151.5 on Monday, and 133.0 six months ago. Three-month in(erbank 8⅞ per cent (8½ per cent six months ago). Annual inflation 6.1 per cent (6.6 per cent previous month) — The franc improved against most European currencies yesterday, and sbowed little change against the firm dollar for most of the day, before gaining ground in late trading. The U.S. currency fell to around SwFr 1.91 near the cloee from SwFr 1.92, while sterling weakened to about SwFr 3.50 from SwFr 3.5125. The D-mark, French franc, Dutch guilder and Japanese yen also lost ground against the Swiss currency

JAPANESE YEN — Trade-weighted index 136.0 against 135.9 on Monday, and 142.3 six months ago. Three-month bills 6.59375 per cent (7.53125 per eent six months ago). Annual inflation 4.3 per cent (3.6 per cent previous month)—The yen was elightly firmer against the dollar in nervous Tokyo trading as the market awaited the New York reaction to the U.S. monoy supply figures. The U.S. currency eased to Y240.85 from Y241, after opening at Y241. and trading within a range of Y240.45 and Y241.60.

THE POUND SPOT AND FORWARD

Feb 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8260-1.8350	1.8310-1.8320	0.32-0.42c dis	-2.42	0.94-1.04dis	-2.16
Canada	2.2220-2.2340	2.2305-2.2315	0.13-0.23c dis	-0.97	0.60-0.75dis	-1.21
Nethlnd.	4.78½-4.82½	4.80½-4.81½	1½-1⅛c pm	3.43	5⅛-4⅞ pm	4.05
Belgium	74.55-74.95	74.70-74.80	15-35c dis	-4.49	73-93 dis	-4.39
Denmark	14.34-14.39	14.36-14.37	1⅝-2⅝ore dis	-1.57	6¼-7¼ dis	-1.95
Ireland	1.2440-1.2500	1.2460-1.2475	0.32-0.46p dis	-3.66	1.13-1.23dis	-3.88
W. Ger.	4.37½-4.40½	4.38½-4.39½	1½-1⅛pf pm	3.76	4¼-4⅛ pm	4.10
Portugal	127.50-128.50	127.90-128.20	50-165c dis	-10.07	155-410 dis	-8.82
Spain	185.25-186.00	185.50-185.70	par-35c dis	-0.81	75-100 dis	-1.88
Italy	2335-2342	2338-2340	11-14lire dis	-5.41	39-42 dis	-0.93
Norway	10.98-11.02	10.98½-10.99½	2-1ore pm	1.64	1¾-½ pm	0.34
France	11.11-11.16	11.12½-11.13½	½c pm-½ dis	—	1¾-2¼ dis	-0.85
Sweden	10.62½-10.67½	10.65-10.66	½ore pm-½ dis	-0.14	2½-2 pm	0.89
Japan	438-443	440½-441½	2.80-2.60y pm	7.49	8.35-8.05 pm	7.84
Austria	30.85-30.95	30.75-30.80	15⅞-12⅞gro pm	5.45	43-38 pm	6.12
Switz.	3.49-3.53	3.50-3.51	1½-1⅛c pm	5.56	5¼-4⅞ pm	5.85

Belgian rate is for convertible francs. Financial franc 82.50-83.00. Six-month forward dollar 1.72-1.82c dis. 12-month 3.13-3.33c dis.

THE DOLLAR SPOT AND FORWARD

Feb 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8260-1.8350	1.8310-1.8320	0.32-0.42c dis	-2.42	0.94-1.04dis	-2.16
Ireland†	1.4650-1.4700	1.4670-1.4700	0.21-0.11c pm	1.31	0.70-0.55 pm	1.70
Canada	1.2170-1.2200	1.2185-1.2190	0.14-0.11c pm	1.23	0.32-0.28 pm	0.98
Nethlnd.	2.6230-2.6300	2.6230-2.6280	1.35-1.25c pm	5.94	4.10-4.00 pm	6.16
Belgium	40.75-40.95	40.81-40.83	3-6c dis	-1.32	20-24 dis	-2.15
Denmark	7.8400-7.8700	7.8450-7.8500	0.90-0.30ore pm	0.94	0.80-0.30 pm	0.23
W. Ger.	2.3920-2.4080	2.3945-2.3955	1.21-1.18pf pm	5.94	3.75-3.70 pm	6.22
Portugal	69.55-70.75	69.65-69.75	15-70c dis	-2.77	80-185 dis	[illegible]
Spain	101.20-101.80	101.45-101.50	15-50c dis	[illegible]	[illegible]	0.10
Italy	1276¼-1280	1276¼-1277¼	3¾-4¾lire dis	-3.64	14-16 dis	-4.54
Norway	5.9950-6.0150	5.9950-6.0000	2.10-1.90ore pm	4.00	4.00-3.70 pm	2.57
France	6.0700-6.1000	6.0735-6.0785	1.25-1.05c pm	2.27	2.20-1.90 pm	1.35
Sweden	5.8050-5.8320	5.8050-5.8150	1.25-1.10ore pm	2.42	1.50-1.20 pm	2.99
Japan	240.30-241.40	240.55-240.65	1.85-1.80y pm	9.12	5.85-5.80 pm	9.77
Austria	16.80-16.87	16.85-16.87	11.10gro pm	7.49	31¼-29¾ pm	7.13
Switz.	1.9075-1.9225	1.9105-1.9115	1.52-1.38c pm	9.35	4.30-4.30 pm	9.06

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	40.7572	41.7319	+2.39	+1.23	±1.5368
Danish Krone ...	7.91117	8.02569	+1.45	+0.29	±1.6412
German D-Mark	2.40989	2.45157	+1.73	+0.57	±1.1077
French Franc ...	6.17443	6.21906	+0.72	-0.44	±1.3733
Dutch Guilder ...	2.66382	2.68647	+0.85	-0.31	±1.5063
Irish Punt	0.684452	0.696403	+1.75	+0.59	±1.6683

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for February 16 .... 0.568686

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅛-14⅜	16⅛-10⅝	14⅛-15½	10⅛-10¼	5¼-5¾	9$\frac{9}{16}$-10$\frac{3}{16}$	14¼-14½	10-21	15-15	5¾-5⅞
7 days' notice	14¼-14½	16⅞-16⅝	14½-15⅛	10⅛-10¼	5⅛-4	9⅞-10$\frac{5}{16}$	14¼-14½	19-21	14½-16⅛	6-6⅛
Month	14⅜-14⅝	16⅞-16⅝	15¼-15⅝	10¼-10⅜	7⅝-7¾	10⅛-10¼	14½-14⅝	10¾-20¾	17-18½	6$\frac{1}{16}$-6⅞
Three months	14⅝-14¾	16$\frac{7}{16}$-16½	15⅝-16	10$\frac{7}{16}$-10$\frac{9}{16}$	8⅜-8½	10¼-10⅜	15¼-15½	21¼-21⅞	18¼-18¼	6⅝-6⅞
Six months	14¾-14⅞	16$\frac{7}{16}$-16½	16⅛-10½	10⅜-10⅞	8¼-8⅛	10¼-10⅜	16¼-16⅛	22-22½	18½-10⅛	6¾-6⅞
One Year	14¾-14⅛	16⅜-10⅝	16⅛-10⅞	10½-10⅝	8⅜-8½	10¼-10⅜	10¾-17	22¼-25	18-10	7-7⅛

SDR linked deposits: one month 13⅝-14 per cent; three months 13$\frac{11}{16}$-14$\frac{3}{16}$ per cent; six months 14$\frac{3}{16}$-14$\frac{7}{16}$ per cent; one year 13$\frac{15}{16}$-14$\frac{3}{16}$ per cent.
ECU linked deposits: one month 13⅝-13⅞ per cent; three months 13⅞-14 per cent; six months 13$\frac{15}{16}$-14$\frac{3}{16}$ per cent; one year 13$\frac{15}{16}$-14$\frac{3}{16}$ per cent.
Asian $ (closing rates in Singapore): one-month 16$\frac{1}{16}$-16$\frac{11}{16}$ per cent; three months 16⅝-10⅞ per cent; six months 16⅝-16⅞ per cent; one year 16⅞-16⅝ per cent. Long-term Eurodollar two years 16¼-16½ per cent; three years 16⅜-16½ per cent; four years 16⅜-16½ per cent; five years 16¼-16½ per cent nominal closing rates.
The following rates were quoted for London dollar certificates of deposit: one month 16.25-10.35 per cent; three months 16.40-16.50 per cent; six months 16.40-10.50 per cent; one year 16.20-10.40 per cent.

MONEY MARKETS

Quiet trading

London clearing bank base lending rates 14 per cent (since January 25)

Interest rates were slightly easier where changed in the London money market yesterday in predominantly quiet trading. Longer term rates reflected a fall in Euro-dollar rates while short term rates fell as the authorities provided sufficient funds to meet the shortage of day to day funds. Three-month interbank money was quoted at 14$\frac{7}{16}$-14⅝ per cent down from 14$\frac{13}{16}$-14$\frac{11}{16}$ per cent while the one week rate was easier at 14¼-14⅜ per cent compared with 14⅜-14⅝ per cent. Overnight money opened at 14¼-14⅜ per cent and eased steadily to 13-13½ per eent before coming back to 14½ per cent. Rates then fell away to 8 per cent with late balances taken around 15 per cent.

The Bank of England gave an early forecast of a shortage of £100m with bills maturing in official hands and a net take up of Treasury bills accounting for £180m, offset partly by Exchequer transactions of +£10m. The forecast was revised to £150m and the Bank gave assistance during the morning of £147m. This comprised purchases of £19m of Treasury bills in band 1 (up to 14 days) at 13⅞ per cent and in band 2 (15-33 days) £1m of Treasury bills and £42m of eligible bank bills all at 13$\frac{13}{16}$ per cent. In band 3 (34-63 days) it bought £10m of Treasury bills and £23m of eligible bank bills all at 13⅞ per cent and in band 4 (64-91 days) £10m of local authority bills and £42m of eligible bank bills at 13⅞ per cent.

Further help was given in the afternoon of £32m, making a grand total of £179m. The afternoon help comprised purchases of £13m of Treasury bills and £19m of eligible bank bills at 13⅞ per cent in band 4.

In Paris call money fell for the sixth day running to 14 per cent, down from 14¼ per cent on Monday and is now the lowest level since last May.

In Amsterdam the new quota facility for three months starting tomorrow was announced by the central bank, averaging Fl 3.84bn per day; Fl 3.2bn will be available at the normal rate of 9.5 per cent and the remainder at 10 per cent. This latest facility is considerably less than the average expiring quota of Fl 5.5bn, which comprised Fl 3.7bn at 9.5 per cent and Fl 1.8bn at 10 per cent. However special liquidity advances will be made available to the market by the central bank for a period of two weeks ending March 3 at 10 per cent.

GOLD

Quiet trading

Gold closed unchanged at $375-376 in the London bullion market yesterday, the lowest level of the day. It opened at $377-378, the day's peak, and was fixed at $376.25 in the morning, and $375.25 in the afternoon. Trading was quiet throughout.

In Paris the 12½ kilo gold bar was fixed at FFr 73,000 per kilo ($373.19 per ounce) in the afternoon, compared with FFr 73,000 ($373.44) in the morning, and FFr 73,500 ($375.80) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 29,140 per kilo ($378.02 per ounce), against DM 29,100 ($377.03) previously, and closed at $375½-376½, compared with $375-376.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $376.60 per ounce, aagainst $375.00.

In Zurich gold finished unchanged at $374-377.

	Feb. 16		Feb. 15	
Gold Bullion (fine ounce)				
Close	$375-376	(£204⅝-205⅛)	$375-376	(£204¼-204¾)
Opening	$377-378	(£205¾-206¼)	$374¼-375¼	(£204⅜-205⅛)
Morning fixing	$376.25	(£205.321)	$373.55	(£203.106)
Afternoon fixing	$376.25	(£204.992)	$375.25	(£204.965)
Gold Coins				
Krugerrand	$397-398	(£211¼-211¾)	$387-388	(£211¼-211¾)
1/2 Krugerrand	$200-201	(£109¼-109¾)	$200-201	(£109-109½)
1/4 Krugerrand	$101-102	(£55¼-55¾)	$101-102	(£55-55½)
1/10 Krugerrand	$41-42	(£22½-23)	$41-42	(£22½-23)
Mapleleaf	$388-389	(£211¾-212¼)	$388-389	(£211¾-212¼)
New Sovereigns	$92-92½	(£50¼-50½)	$92¼-93¾	(£50¼-50¾)
King Sovereigns	$107-108	(£58¼-59)	$107-108	(£58¼-58¾)
Victoria Sovs	$107-108	(£58½-59)	$107-108	(£58¼-58¾)
French 20s	$88-98	(£48-53½)	$89-98	(£48-53½)
50 pesos Mexico	$465-467	(£253¾-255)	$466-469	(£254¼-255¾)
100 Cor. Austria	$364-367	(£198¾-200¼)	$364-368	(£198½-200¾)
$20 Eagles	$507-512	(£276¾-272¼)	$505-510	(£275½-278¼)

LONDON MONEY RATES

Feb. 10 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-15⅝	14⅛	—	—	13⅞-14½	13-14½	—	—	—
2 days notice	—	—	14⅛-14¼	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	14⅝	14	—	—	—
7 days notice	—	14¼-14⅜	14¼-14⅜	—	—	14¾	14	—	—	—
One month	14½-14⅜	14$\frac{7}{16}$-14$\frac{5}{16}$	14⅛	15-14¾	14$\frac{7}{16}$	14¾	14	13$\frac{13}{16}$	13⅞-13$\frac{13}{16}$	14⅞
Two months	14⅜-14½	14$\frac{7}{16}$-14⅝	—	15-14¾	14⅞	15	13¾	13$\frac{13}{16}$	13$\frac{13}{16}$	14¾

Local authority and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14¾ per cent; four years 15 per cent; five years 15 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅞-13¾ per cent; four months trade bills 14¾ per cent.

Approximate selling rate for one month Treasury bills 13¾ per cent; two months 13⅞ per cent; three months 13⅞ per cent. Approximate selling rate for one month bank bills 13⅞ per cent; two months 13$\frac{13}{16}$-13$\frac{25}{32}$ per cent; and three months 13$\frac{13}{16}$-13⅞ per cent; one month trade bills 14½ per cent; two months 14¾ per cent; three months 14¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15¼ per cent from February 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 11¼-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.7944 per cent.

MONEY RATES

NEW YORK	
Prime rate	16½
Fed. funds (lunch time)	16½-16⅝
Treasury bills (13-week)	14.70
Treasury bills (26-week)	14.46
GERMANY	
Special Lombard	10.00
Overnight rate	10.025
One month	9.85
Three months	10.30
Six months	10.30
FRANCE	
Intervention rate	14.0
Overnight rate	14.0
One month	14.0625
Three months	14.125
Six months	14.125
JAPAN	
Discount rate	5.50
Call (unconditional)	6.59375
Bill discount (three-month)	6.59375

APPOINTMENTS

Charterhouse Petroleum has new chairman

Dr J. Birks, a managing director of British Petroleum, has succeeded Mr M. H. W. Wells as cbairman of CHARTERHOUSE PETROLEUM.

★

Mr John Shenton has been appoin(ed managing director of PERIPHERAL HARDWARE.

★

Mr N. D. Peers has joined the board of CAYZER. Cayzer is a banking services subsidiary of Cayzer, Gartmore, whose ultima(e parent company is the British and Commonwealth Shipping Company.

★

Mr Eric Major has been appointed a director of HODDER & STOUGHTON HOLDINGS, the parent company controlling Hodder & S(ongh(on's worldwide book publishing business.

★

Mr Richard Seymour has been appointed to the FURNESS WITHY board. He is chairman and managing director of Furness-Houlder (Insurance). Mr John J. Gawne and Mr John P. Robertson will both be retiring from the Furness Withy board on March 31. Mr John A. Fisher will succeed Mr Robertson as chairman and managing director of Furoess Withy (Chartering) from April 1.

★

Mr Peter J. Willows has been appointed managing director of UESCO MANUFACTURING CO., Bedford. He comes from Tarmoe Mechanical Engineering Group, where be was project manager.

★

The following have joined the board of GEEST INDUSTRIES: Mr A. G. Darby, Mr J. A. F. Hallwood, and Mr B. Simpson.

★

Mr W. H. T. Ronl1 has been appointed a director of KININMONTH RISK MANAGEMENT ond D. M. SLADE AND CO.

★

Mr David J. Peacock has been promoted to the newly-created position of deputy managing director of RACAL-DECCA, in addition to his responsibility as managing director of Racal-Decca Navigator.

★

Mr Don Teylor, managing director of Hunting Fuel Distribution, has been appointed chairman of FUEL FAST. He is joined on the board of Hunting Fuel Distribution by Mr Martyn Bell, newly-appointed commercial director, who came to HFD 18 months ago as development manager from Gulf Oil. Mr Bell retains bis previous position as managing director of another HFD distribution subsidiary, Oakley Fuels, Bodford. While Mr Richard Hunting, chairman of HFD, and Mr Ken Miller have relinquished their directorships in Fuel Fast both continue their roles with HFD. Mr Ambrose Cresswell maintains his position as financial director to both HFD and Fuel Fast. Two new faces appear at board level with Fuel Fast: they are Mr Alan Norris, previously south eastero regional manager; and Mr Malcolm Brazier, formor regional menager for the Midlands aree.

★

Mr L. J. Tolley is to retire from chairmanship of the board and from his directorship of RENOLD. It is the intention of the board to elect Sir Campbell Adamson as its chairman. These chenges will take effect on July 30.

★

Mr Anthony M. G. Walls-Russell is joining HIRST AND TURNER, stockbrokors, Leeds, as a partner on February 22.

★

Mr Brian Gibbens has been appointed managing director of SHREWSBURY ELECTRONIC ENGINEERS, which is a member of the Cray Electronics Group. He was previously managing director of Matthews aod Yates, a member of the Doulton Engineering Group.

★

Mr Michael Hill has been appointed to the board of CRITTALL WINDOWS as financial director.

★

Mr D. A. Richard, managing director of Evered Security Products, becomes maneging director of CARTWRIGHT LOCK AND PRESSINGS and it is intended to change the name of the enlarged lock company to EREBUS. Remaining members of the board of CLP are Mr J. C. Northam and Mr R. L. Teare, chairman and finance director respectively of Cartwright's and Mr G. R. Tuckley, works director of CLP.

★

D. J. HIGGINS AND SONS has appointed Mr G. H. Bent and Mr B. R. Penman as directors. Mrs O. C. Higgins, company secretary since it was formed, has tendered her resignation (but still remains a director) and Mr C. Stewart has been appointed company secretary to the group.

★

After 21 years with INDUSTRIAL AND TRADE FAIRS Mr Colin Mackenzie, overseas director, will be leaving the company in March.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations ... | US$43.67 | -0.27 | 1.88

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey 0481-26648
LJ Sterling Fund ... £14.45 14.46

King & Shaxson Mngrs.
1, Charing Cross, St Helier, Jersey. 0534-73741
Valley Hse., St. Peter Port, Gnsy 0481-24706

Save & Prosper International
Dealing to
P.O. Box 73 St Helier, Jersey

Fixed Interest Funds

Eurotax Investments Ltd.
1, Athol St., Douglas, Isle of Man

TECHNOLOGY

EDITED BY ALAN CANE

Pentax first through the lens

BY GLYN GENIN, PICTURE EDITOR

AN autofocus ioterchaogeable leos eye-level reflex camera—described as the world's first—is to be marketed by Peotax, but as ooe professional dealer put il: "Pentax have a reputation for being first, oot always best; now they have invented a camera for the blind."

Nevertheless, the Japanese Asahi Optical Company, manufacturers of Pentax, has made significant developments in SLR techoology in the past 25 years or so.

The company was responsible for the first camera with an instant return mirror, the first production camera with through-the-lens (TTL) metering for exposure control, the first multi-coated optics and, when the Pentax ME-F camera and the Pentax AF zoom lens reacbes the shops in March, the first with through-the-lens autofocus.

While unremarkable in appearance and similar, externally, to the Pentax ME-Super oo which It is based, the viewfinder, used for picture composition and displaying exposure informatioo, contains the autofocus signals. A red light emitting diode (LED) arrow on either side of a green LED diamond in the bottom frame.

This senses the distance between the two images, and from this information calculates the distance to the photo subject.

The green LED is lit wheo the picture image is critically sharp. The left-hand red LED indicates front focus, the rigbt, back focus. The directioo in which the illuminated arrow points also indicates the direction in which the lens' focusing mount must be turned to sharpen the image.

Silicon cells

Sharpness is assessed in the Peotax system by measuring relative contrast in the subject. A sbarp border between a light and dark area indicates a sharply focused image, a diffuse border one out of focus.

A relatively small area of the picture is used for readings—the centre of the focusing screen. Two rows of silicon cells are located in the camera base.

Light from the subject reaches the sensors through the camera's mirror system which acts as a beam-splitter, 35 per cent of the light is diverted to the autofocus sensors, 65 per cent to the viewfinder. The two sensor rows are positioned slightly in froot and behind a line equivalent to the film plane.

When readings from the two rows of sensors are equal, the system's microprocessor generates the correct focus signal, which lights the green LED, and sounds an electronic "bleep."

The camera will accept all Pentax K mount lenses, and the autofocus system will operate with lenses from 24mm wide angle to 300mm telepboto.

The lenses are operated normally, with the autofocus system giving a sharpness indication. Pentax are introducing one lens, a 35-70mm zoom which has a built-in motor and allows full focussing automation. Two switches on the lens mount can be used to actuate the motor, which theo hunts for the sharpest image.

My own brief experience of the lens was something of an ergonomic nightmare. I found it cumbersome and slow to use. Pentax promise further motorised autofocus lenses—hopefully lighter and more compact.

The question with any automated system must be, does it perform faster and better than the human equivalent—in this case the mark-one eyeball. The human eye will have problems with low light, low contrast conditions, but so will the Pentax sensors.

Good optics

The notion of automated camera focusing is not new—it has been studied by the photographic industry for more than 50 years and over a thousand patents protect developments.

Autofocus cameras — the first, the Konica C35 AF, was launched late in 1977 — have until now been designed for the novice photographer. Equipped with good optics and well engineered — but very definitely aimed at the lucrative snapshot market.

A number of systems are used lo these amateur cameras. Polaroid use ultrasonic ranging — bouncing high frequeocy sound off the target — in their Sonar instant picture camera.

Canon and Chinon use an infrared source, with a sensor measuring the angle of return from the subject and setting the focus accordingly.

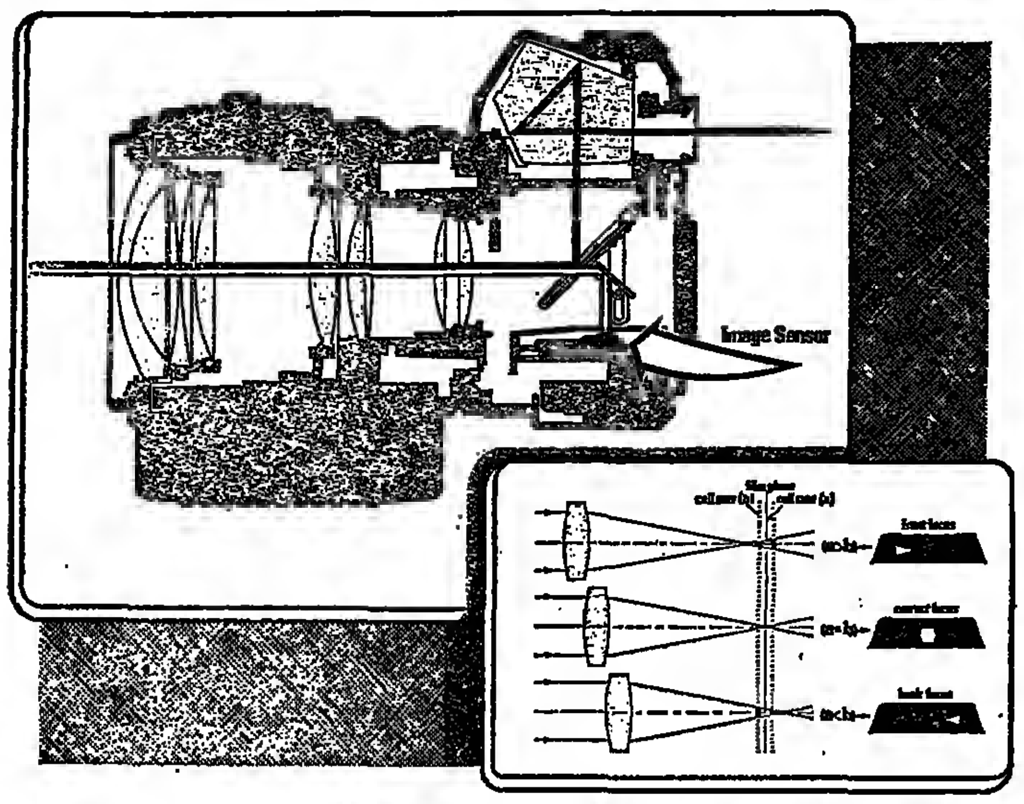
One Canon camera, a super 8mm sound ciné model, uses a solid state triangulation system. Sensors form a pattern—detecting screen similar to the human retina. Two separate images are formed on this electronic screen.

'Wait and see'

Pentax does seem to have solved the considerable practical and theoretical problems of installing a reliable autofocus system in an interchangeable lens camera. It now has to brave critical assessment from an industry unimpressed by gimmickry.

Other manufacturers are expected to announce their own autofocus models in the next few months. Perhaps the best advice to an intending buyer is "wait and see."

The Pentax ME-F with 35-70mm AF lens will cost about £370. More information from Pentax UK, 01-864 4422.



A section through the Pentax ME-F camera which is fitted with a 35-70 mm AF zoom lens, shows the position of the autofocus sensors. Right is shown the aotofocus viewfinder indlcations

Viewdata systems for UK

PRIVATE VIEWDATA systems based on the Canadian Telidon standards are being made available in the UK by Poulter Computervision of Leeds (0532 469611).

Main advantage of the system is its high definition graphics, which result from its having been developed several years after the UK Prestel system—although higher definition Prestel is in the pipeline.

Poulter says it can cater for all types and sizes of organisation. The PV1/ICT, for example, is aimed at small businesses and costs £17,500. PVS2, however, enables larger organisations to store up to 20,000 pages of information, accessed through a maximum of 64 user terminals.

The company lays considerable emphasis on the fact that the systems are capable of expansion without obsolescence as an organisation grows. It says that "all Telidon standards are designed to take into account all changes expected to affect Videotex (the non-UK name for Viewdata) until the turn of the century."

Shield for UV users

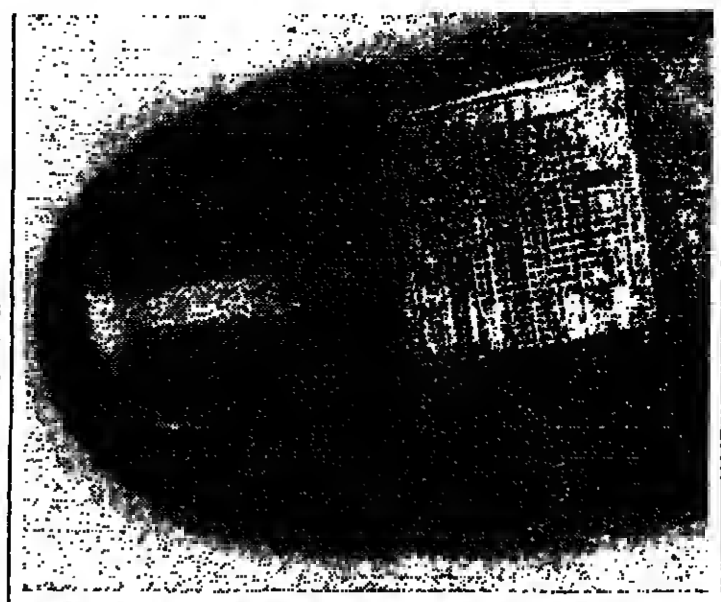
SCIENTISTS and researchers using ultraviolet trans-illuminators or similar sources of UV light might like to know that a shield offering protection, not just for the eyes, bot to the whole face is now available.

The visor-style shield, adjustable and costing £20, comes from Ultra-Violet Prodncts, Science Park, Milton Road, Cambridge. More information on 0223 355722.

Surveyor

DEVELOPED from Waverley's type 2034 Sonar for sea-bed surveying is the Sonar Type 3000, up-dated with microprocessor cootrol and offering record annotation, tape recording target expansion and colour video display.

The new model goes on show at the Oceanology Exhibition in Brighton in March. More from Waverley Electronics (0305 784738).



The equivalent of 4,208 logic circuits is combined with 13,000 bits of read-only memory on IBM's seven millimetre-square custom bipolar chip. This experimental chip, photographed on a child's finger, has been magnified 13 times.

IBM unveils chip that can store 288,000 bits of information

BY DAVID FISHLOCK, SCIENCE EDITOR

A SILICON CHIP that can store 288,000 bits of information — the equivalent of about 25 typewritten pages — has been successfully made as an experiment on an IBM production line. The achievement, with what is described as "non-zero yield," was presented at the International Solid State Circuits conference in San Francisco last week.

IBM claims that its memory chip factory at Burlington, Vermont, won the race — not the Japanese — for the first 64 kilobit (64k-bit) random access memory chip, back in 1979.

IBM manufactures only for in-house use, however. In 1980, Burlington shipped more 64k memory chips than the rest of the world put together. Today, it has advanced to a 72k-bit chip in production—the largest RAM in mass-production, it is believed.

But Burlington development engineers pushed the same technology to a chip which stores four times as much data in twice the area, made on the same production line. Several batches of the 288k-bit chips have been made, the conference beard from Brian Fitzgerald and Endre Thoma.

It is not the only company in the 288k-bit chip race. Texas Instrumeots and Motorola are among the U.S. companies either at sampling stage or gearing up for production. And Hitachi expects to start volume production of its device early next year.

Hitachi is quoting access times — the time needed to read the contents of a memory cell and transmit the data as between 150 and 200 nanoseconds (thousand millionths of a secood). By comparison the IBM device is slow at 350 nanoseconds.

Burlington's basic prodoction strategy in manufacturing memory is to start a process line with yields around 8-10 per cent, and drive it up to 60 per cent. Theo it doubles the density of memory on the chip, halving the yield in the process, and drives this yield back up to 60 per cent.

The 288k-bit chip has four independent memory arrays, packed more densely than in the 72k-bit chip, partly by using a narrower line width. The engineers used electroo-beam lithography to cut the masks, increasing storage density by 22 per cent. The line width is of the order of two microns.

The rest of the space-saving bas come from innovative circuit design. One innovation, by optimising the layout of memory cells, has reduced the total array area oeeded by 27 per cent. The other innovation has been to introduce a separate level within the chip for wiring, instead of assembling it alongside the memory cells. The outcome is a 288k-bit dynamic RAM measuring only 10mm by 6mm.

According to its designers, there has been little loss of speed in achieving the increased packing density.

Rednndancy is one of the secrets of successful transfer of this very large scale integration (VLSI) technology into production, IBM engineers say. They have used it in making all three sizes—64k-bit, 72k-bit aod 288k-bit chips. For the first two it has enhanced productivity, especially when yields were in the range 10-30 per cent, early in the life of the new chips.

Redundancy is the idea of designing In spare memory cells, as substitutes for those found to be defective in final testing. By selectively blowing fuses with a burst of current, incoming data can be steered to as many as 1,152 spare cells, bypassing the defective ones.

Alternatively, entire blocks of cells can be isolated in this way, although this will reduce the final capacity of the chip.

Yields of the 64k-bit chip, in prodoction since 1979, are now claimed to be "very good." The question now, says one senior IBM executive, is: "Should we go for the 512k-bit chip?"

Heavy-duty CNC lathes

TWO HEAVY duty models have been added to the Yamazaki slant-turn range of CNC lathes, available in the UK from Elgar Machine Tool Company (01-965 8911). These are designed to permit heavy cuts on large diameter workpieces. Standard machines have a 116mm spindle bore but the new models can be supplied with bores up to 530mm.

Canadian bank to raise $125m through Eurobond

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CANADIAN Imperial Bank of Commerce is raising $125m through a 16 per cent five-year bond issue led by itself and Hambros Bank.

The issue was the only fixed rate dollar Eurobond launched yesterday on a day which saw a flurry of new issues in other sectors of the international capital markets.

In the secondary market, dollar Eurobonds were marked down by ¼ point on average with most of the drop being recorded during the morning. Some dealers reported short covering by professional traders as the New York bond market edged up a little after a weaker opening.

Amada, the Japanese metal processing machinery producer, is raising $30m through a 15-year convertible issue with an indicated coupon of 5¼ per cent and conversion premium of around 5 per cent.

Led by Nippon Kangyo, Schroder Wagg, Nomura International and Dai-Ichi Kangyo, the bonds are being floated simultaneously with a SwFr 50m convertible private placement through Union Bank of Switzerland on which conditions have yet to be set.

West German and Swiss foreign issues were down ¼ and ½ point respectively on the back of a strong dollar and high U.S. interest rates, but both markets saw active new issue business.

The EEC is raising DM 200m through a 12-year 9¾ per cent bond issue priced at 99 per cent by lead manager Deutsche Bank, while Austria's export credit bank, Kontrollbank, is raising DM 100m over five years with a coupon of 9¾ and issue price of 99½ led by Bayerische Hypobank.

Kontrollbank is also floating a SwFr 100m 10-year bond with an indicated yield of 7¼ per cent through Swiss Bank Corporation. The Inter-American Development Bank has launched a SwFr 50m five-year issue at 8 per cent and issue price of 100½ through Wirtschafts-und Privatbank.

The Asian Development Bank has meanwhile launched its first issue in Euroguilders. The Fl 100m 10-year 11½ per cent bonds have been priced at 99 per cent by Algemene Bank and Amro Bank. Amro is also raising Fl 75m for the European Investment Bank through a five-year 11 per cent bond issue at par.

In the Kuwaiti dinar market, Dart and Kraft is raising KD 7m over seven years through Kuwait International Investment Company. The bonds bear an indicated coupon of 11½ per cent to 12 per cent.

Ford loses Intelsat contract to Hughes

By Our New York Staff

FORD AEROSPACE, the large and successful satellite building subsidiary of Ford Motor, has lost an important $1bn order to build the next generation of Intelsat international communications satellites.

The International Telecommunications Satellite Organisation said that instead of the strong favourite, Ford, it had selected Hughes Aircraft after a preliminary assessment of bids to build the Intelsat VI series of satellites.

Ford is the builder of Intelsat V and had been confident of winning the work on Intelsat VI.

Ford is appealing against the Intelsat decision, but at this stage appears to have little chance of reversing it. Intelsat said Ford had come in second on the bids and would become part of negotiations only if problems developed in the Hughes deal.

Satellite building, although part of a booming business in international telecommunications, has not so far been a very profitable operation because of overcapacity among builders and the relatively small number of big orders available.

Hughes Aircraft is a privately-owned aerospace and defence contractor based in California.

EARNINGS SLIDE AT FIRESTONE

Bridgestone buys U.S. tyre plant

BY IAN HARGREAVES IN NEW YORK

BRIDGESTONE TYRE, the leading Japanese tyre company, has made its long awaited entry into U.S. tyre manufacture by buying from Firestone Tire and Rubber a plant in Nashville, Tennessee. At the same time, Firestone reveals a sharp setback in first quarter trading.

Bridgestone will pay Firestone $52m for the plant, which currently makes radial tyres for use on heavy trucks and buses.

Eventually, the company is expected to start producing light truck tyres at the Nashville plant as part of a tie-up with Nissan, the Japanese motor company which is currently building a light pick-up truck plant near Nashville.

In recent years, Bridgestone has emerged as a significant factor in the U.S. tyre market, recording sales last year of $240m. Total sales were $3.2bn and the company claims to rank as the world's fourth largest tyre manufacturer.

Bridgestone is reported to have considered buying a number of other smaller U.S. tyre companies or parts of their operations during the shakeout which has occurred in the U.S. tyre industry in the last year, but seems to have only become convinced of the wisdom of direct investment because of the potential tie-in with Nissan.

Bridgestone will also continue to supply heavy duty radial tyres to Firestone dealers for sale under the Firestone label. Firestone does not have another plant which makes this type of tyre in the U.S.

The Nashville plant was built in 1972 and currently employs about 900 people. It is capable of turning out 3,000 tyres a day, but has recently been operating at half capacity.

One issue Bridgestone would not comment on yesterday was its future relationship with the United Rubber Workers Union, which currently represents most manual workers at the plant. Nissan has made it clear that it would prefer to operate its Tennessee plant without union involvement.

First quarter results from Firestone, meanwhile, show a net income of only 2 or 3 cents a share on sales of $889m. This compares with a net of $76m or $1.32 a share on sales of $1.06bn in the corresponding quarter a year earlier. The previous year's figure, however, was swollen by special factors—leaving these aside, the income for the period was $20m.

Pre-tax profits from North American tyre sales was down from $18m to $8m because of another slump in demand for new cars and the effects of the recession. Overseas, Firestone earned $33m, down from $50m, because of a drop in raw rubber prices and the exclusion in the quarter just ended of figures from Firestone South Africa.

Firestone said yesterday that it will not realise an earlier objective of earning $2.20 a share this year. It added, however, that it was managing to hold steady its share of the original equipment tyre market in the U.S. at 21.5 per cent, although its share of the replacement tyre market had fallen by 15 per cent in the last two years because of a heavy programme of capacity cuts in the unprofitable crossply tyre business.

Banco Espanol restructuring

BY JIMMY BURNS IN BUENOS AIRES

AGREEMENT HAS been reached on a restructuring plan for Banco Espanol de Rio de la Plata, one of the few large Argentinian private banks to have survived the local banking crisis in 1980. Banco Espanol—the sixth largest private bank in the country measured by deposits—has declined to reveal full details of the plan. However, according to banking sources, the plan is aimed at restoring the bank's financial health within the next two years.

Executives of the bank, with approval in principle from the central bank, have drawn up a package of measures which include an increase in capital on a one-to-one basis, a rationalisation of the bank's total number of branches and a general tightening up of credit policy. Banco Espanol has a capital of Pesos 410bn ($41m) and deposits of Pesos 3,569bn.

The plan envisages an estimated 20 per cent reduction in the bank's 2,100 workforce, largely through early retirement and the possible closure of some of its 84 branches.

Closer supervision of its credit policy follows the accumulation of what is believed to be a large amount of bad debt in Espanol's overall loan portfolio. Banco Espanol is one of the main creditors of Cristaleria de Yuyo, a local bottle manufacturer which suspended payments last year, with outstanding debts estimated at around $110m.

Approval of the restructuring plan follows a major management shake-up in the bank last March which effectively consolidated the ownership and control of the bank by the Vazquez Iglesias family led by the current president, Sr Jorge Vazquez Iglesias.

The fortunes of Banco Espanol will be closely observed by the local banking community which two years ago watched with alarm as a run on deposits led to the collapse of a number of financial institutions.

The Banco de Intercambio Regional (BIR), the country's largest private bank, was liquidated and the central bank was forced to intervene to shore up three other major banks—Banco de los Andes, Banco Oddone, and Banco Internacional.

Chrysler sale expected soon

CHRYSLER CORPORATION, the U.S. motor company, should complete in the next few days its proposed sale of its defence subsidiary to General Dynamics, writes Our New York Staff. Mr Douglas Fraser, president of the United Autoworkers union and a Chrysler director, said yesterday, the agreement had to be vetted by the Pentagon, but that the sale was expected to go through. The Chrysler subsidiary builds the M-60 and new M-1 tanks for the U.S. Army and is believed to be worth around $300m, producing pre-tax profits of $60m annually.

The sale will raise cash to help Chrysler through the current depression in the U.S. car market.

However, despite the problems in its home market, Chrysler yesterday reported record sales for its Chrysler de Mexico subsidiary for 1981. The offshoot sold 115,218 cars and trucks last year generating revenues of $1.3bn compared with 106,261 units for sales of $1bn in 1980.

In taking 20.6 per cent of the Mexican market the subsidiary was the leading U.S.-affiliated car maker for the ninth consecutive year.

Slight recovery in Dana profit

BY OUR FINANCIAL STAFF

DANA CORPORATION, the U.S. motor components and industrial products group, has reported profits of $115.6m for 1981. The total compares with the $95.7m achieved in the previous year to August 31 1980, which was well down on the $164.2m of 1978-79.

Sales for the latest year came to $2.71bn compared with $2.52bn in 1979-80 and per share profits came to $3.25 against $2.78.

The latest year includes a 41 cents a share charge for lifo (last-in first-out) accounting adjustments. This was partially offset by a 26 cents a share gain from the adoption of the new accounting standard for foreign currency translations.

Mr Gerald Mitchell, the chairman, pointed out that the group's sales to the motor industry and replacement market grew by $100m in 1981, "a year that generally has been considered to be one of the worst" in the automotive industry.

Industrial sales, meanwhile, advanced by 13.4 per cent to almost $700m.

The company is concerned about the early months of the current year, although it believes it is in a good position to take advantage of the expected upturn in the economy later this year.

It was continuing its programmes designed to control costs, improve productivity, consolidate assets and strengthen its competitive position, Mr Mitchell said.

Development costs hit Northrop result

By Our Financial Staff

AN INCREASE of $1.4m in final quarter net profits to $17.1m has been reported by Northrop, although growth at the aerospace group came only as a result of a substantial, but unspecified rise, in interest income and a much lower effective tax rate.

Results generally were affected by increased expenditures on its F5-G air defence fighter. For the year net profits were down from $86.1m to $47.9m on sales ahead from $1.66bn to $1.99bn. The final quarter sales were $564.2m against $471.7m.

The U.S. Government accounts for about 70 per cent of Northrop's sales, and at the end of 1981 the company had a backlog of orders totalling $2.31bn compared with $2.23bn a year earlier.

Northrop, which has won a large development contract for the so-called Stealth bomber and builds fuselages for the Boeing 747, said total 1981 spending on the F5-G programme totalled $153.6m in the year compared with $35.4m in 1980, with $55.9m, compared with $14.8m, being outlayed in the final quarter.

Annual per share profits were down to $3.31 from $6.04 with $1.16 against $1.10 coming in the final quarter.

Defence boost for TransTech

BY TERRY BYLAND

THE REAGAN Administration's plans for increased spending on defence is likely to benefit TransTechnology Corporation, the California-based aerospace defence company which sells more than half its turnover to the U.S. Government. Mr Arch Scurlock, chairman, said in London this week that he expects the group to turn in sales of around $65m for 1982-83, compared with the $52m expected for the current year.

Sales backlog currently stands at about $23.7m but the backlog for the aerospace defence side alone is likely to be around $30m by the end of next month.

TransTechnology, profits of which are now split around 64 per cent aerospace defence and the rest from textiles, makes infrared countermeasure flares and crew escape systems for the U.S. military, and is a leading manufacturer of textile finishing machinery. It also owns Belfort Instrument, believed to be the largest U.S. maker of ground meteorological instruments.

There has been no further development in the bid talks with Breeze Corporation, the manufacturer of mechanical and electrical equipment, but TransTechnology has now increased its stake in Breeze from 5.9 per cent to 11.25 per cent.

Quarterly surge at Kroger

By Our Financial Staff

KROGER COMPANY, the U.S. supermarket operator which ranks as the second largest U.S. food retailer, pushed up final quarter net profits from $29.6m to $52.6m on sales little changed at $2.74bn against $2.72bn.

For the year net profits were ahead from $94.39m to $128.04m, or from $3.41 a share to $4.39, on sales of $11.27bn compared with $10.32bn.

Kroger last year added to its sales space and moved to alter its product mix to include more high margin in specialty food as well as non-food items.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday March 16.

Closing prices on February 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16¼ 88	100	101⅞	102⅞	−0¼	−0½	15.96
APS Fin. Co. 17¼ 86	60	103¼	103⅝	−0⅛	0	16.08
Armco O/S Fin. 15⅞ 88	50	98½	99	−0⅜	+0⅛	15.71
Bank Montreal 16¾ 81	150	99½	100	−0⅜	−0⅛	16.26
Br. Colum. Hyd. 16¾ 88	100	100½	101	−0⅜	−0¼	16.00
Br. Colum. Mta. 17 97	54	102¼	102¾	−0⅛	0	16.50
Can. Nat. Rail 14⅞ 91	100	92⅝	93⅛	−0⅜	−0⅛	16.06
Caterpillar Fin. 16½ 86	100	101½	102	−0⅜	−0¼	15.87
CFMP 16¼ 96	100	101	101½	−0¼	−0⅜	15.48
CIBC 16⅝ 81	100	100¾	101¼	−0⅛	−0⅜	16.48
Citicorp O/S 16¾ 86	150	102¼	102¾	−0⅜	−0⅜	15.86
Cities Service 17 88	150	102	102½	−0⅜	−0⅜	13.34
Cons.-Bathurst 17½ 88	86	101⅞	102⅞	−0⅜	−0⅜	16.88
CPC Fin. 16¾ 86	50	102¼	102⅝	−0⅜	0	15.88
Dupont O/S 14½ 88	400	96⅜	96⅞	−0⅜	−0⅜	15.32
EIB 16½ 88	100	99¾	100¼	−0¼	−0⅜	16.42
EIB 16⅝ 91	100	100⅝	101	−0⅜	−0¼	16.53
GMAC O/S Fin. 16½ 84	300	100⅝	100⅞	0	+0⅛	16.14
Gulf States O/S 17½ 88	60	103	103½	−0⅜	−0⅜	16.57
Japan Airlines 15¼ 88	50	99	99½	−0⅜	0	15.39
Nat. Bk. Canada 16½ 88	40	99¾	100⅛	−0⅜	−0⅜	17.23
Nat. West 14¾ 91	100	94⅞	95⅜	−0⅜	−0⅜	15.75
New Brunswick 17 88	80	103¾	104¼	−0⅜	−0½	15.91
Newfoundland 17¼ 89	60	105⅞	106⅛	−0⅜	−0¼	15.75
New & Lab. Hy. 17¼ 88	75	102⅞	103⅛	−0¼	−0⅜	16.45
Ohio Edison Fin. 17½ 88	75	103⅜	103⅞	0	0	16.49
OKG 15⅜ 97	50	96⅝	97⅛	−0⅜	0	16.28
Ontario Hyd. 16 91 (N)	200	99⅝	100⅛	−0⅜	−0⅛	15.98
Pac. Gas & El. 15⅝ 89	80	98½	99	−0⅜	+0¼	16.04
Quebec Hydro 17¼ 91	150	103½	104	−0⅜	0	16.39
Quebec Prov. 15¾ 89	150	94¼	94¾	−0⅜	−0¼	16.51
Saskatchewan 16¾ 88	100	100	100½	−0⅜	−0½	15.13
Statsforetag 15¾ 87	50	97⅛	97⅝	−0⅝	−0⅜	16.54
Sweden 14½ 88	150	92½	93	0	−0⅜	16.30
Swed. Ex. Cred. 16½ 93	75	99¾	100¼	−0⅜	−0⅜	16.46
Tenneco Int. 17 88	100	103⅜	103⅞	−0⅜	−0⅜	16.07
Texas Eastern 15⅞ 88	75	98¼	98¾	−0⅜	−0⅜	16.21
Transcanada 17⅛ 88	75	105¼	105¾	−0⅜	−0⅜	16.25
Transcanada 16 89	100	97⅛	97⅝	−0¼	−0⅜	16.58
Walt Disney 15¾ 86	100	101⅜	101⅞	−0⅜	−0⅜	15.14
Winnepeg 17 86	50	103⅜	103⅞	−0⅜	+0⅛	15.76
WMC Fin. 15½ 88	50	95½	96	−0¼	−0⅜	16.54
World Bank 16 88	80	99⅝	100⅛	−0¼	−0⅜	15.98
World Bank 16½ 88	130	101⅞	102⅜	−0⅝	−0⅜	15.73
World Bank 16½ 88	100	101⅜	101⅞	−0⅜	0	16.01
Average price changes...	On day −0⅜ on week −0⅜					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 9¾ 91	300	98⅝	99⅛	+0⅛	+0⅛	9.53
Belgelectric 11 91	100	100⅞	101⅜	0	−0⅜	10.85
CECA 10 91	120	99⅞	100⅜	0	−0⅜	9.95
Coun. of Europe 10 91	100	99¾	100¼	0	−0⅜	10.03
Coun. of Europe 10⅛ 01	100	100⅜	100⅞	−0⅜	−0⅜	10.15
EEC 10⅛ 93	100	100	100½	−0⅜	−0¼	10.05
EIB 10½ 91	200	102¼	102⅞	0	0	10.06
EIB 9¾ 88	60	99	99½	−0⅜	−0⅜	8.89
Finland, Rep. of 10½ 88	100	100⅝	101⅛	+0⅛	+0⅛	10.16
Inter-American 10 91	100	99⅞	100⅜	+0⅛	+0⅛	0.95
Inter-American 10¼ 91	100	100⅝	101⅛	0	−0⅜	10.11
Ireland 10⅛ 88	100	99½	99⅞	−0⅜	−0¼	10.21
Mexico 11 88	100	100⅞	101⅜	0	0	10.74
Midland Int. Fin. 8½ 90	180	93⅝	94⅛	+0⅛	−0⅜	9.58
Mt. Bk. Dnmk. 10¼ 91	100	99⅝	100⅛	−0⅜	+0⅛	10.48
Nat. West. 9⅞ 92	100	99⅝	100⅛	−0⅜	−0⅜	9.89
New Zealand 9¾ 86	200	100	100½	+0⅛	0	9.67
OKB 10⅛ 91	190	100⅛	100⅝	−0⅜	−0¼	10.05
Ost. Kontrollbk. 9¾ 85	190	98¾	99¼	−0⅜	−0⅜	8.95
Quebec Hydro 10⅛ 91	150	101½	102	−0⅜	−0¼	9.96
Swed. Ex. Cred. 10¼ 91	100	99½	99⅞	0	−0⅜	10.32
Venezuela 11½ 91	100	99⅝	99⅞	−0¼	−0⅜	11.55
World Bank 10 91	250	100⅝	101⅛	−0⅜	+0⅛	9.86
Average price changes...	On day −0¼ on week 0					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	100	100¼	−0¼	−0⅜	7.48
Asian Dev. Bank 8 90	80	†100½	101	−0⅜	−0⅜	7.97
Australia 6¾ 93	100	100⅛	100½	−0⅜	−0¼	8.70
Belgelectric 7½ 91	80	99½	99¾	−0⅜	−0⅜	7.55
Bell Canada 7⅛ 93	100	102	102¼	−0⅜	−1½	6.97
Rst. de Autopistas 8 90	50	93	98¼	−0⅜	−0⅜	8.30
Denmark 7¾ 91	100	98½	98¾	−0⅜	−0¼	7.77
Dome Petroleum 7¾ 90	100	100⅝	100⅞	0	−1⅛	7.12
EIB 7⅛ 92	100	97½	97¾	−0⅜	−0¼	7.60
Elet. de France 7 92	100	†97½	98	−1	−1	7.32
ENEL 8 92	44	98	98¼	0	0	8.28
Genstar 7 91	100	100¼	100⅝	−0¼	−1⅛	6.92
I/S Elsam 8½ 91	60	102¼	103	−0⅜	−0⅜	8.05
Japan Air Lines 7¾ 91	100	102¼	102½	−0⅜	−0½	6.90
Neder. Gasunie 8 91	100	104	104¼	−1	−2	7.38
Nippon T. and T. 6⅝ 92	100	98½	99	−0⅞	−0⅞	6.90
OKB 7⅛ 91	100	98½	98¾	−1⅛	−1½	7.45
Oslo, City of 8 91	100	103⅞	104¼	−0⅜	−1⅛	7.40
Ost. Donaukraft 7 92	100	99½	99¾	−0½	−0⅜	7.20
Saint Etienne 8½ 91	20	104¼	104½	−0⅜	−0¼	7.83
Swed. Ex. Credit 7¾ 91	75	98¼	98½	0	−0⅜	7.81
TNT O/S Fin. 8 91	80	103	103¼	−0⅜	−1	7.53
Transcanada Pipe. 7 94	100	100⅝	101⅛	−0½	−0¼	6.87
Unilever NV 7½ 93	100	103	103¼	−0⅝	−1½	7.09
World Bank 7 90	100	95	95¼	−2	−4½	7.83
World Bank 8 91	100	103	103¼	0	+0¼	7.53
Average price changes...	On day −0½ on week −1					

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	98½	99½	0	+0⅛	8.40
Australia 8½ 88	20	90½	91½	0	+0⅛	8.42
EIB 7⅛ 88	12	96⅞	97⅞	+0⅛	−0⅜	8.22
Finland, Rep. of 8⅛ 87	15	98½	99½	0	0	8.60
Int.-Amer. Dev. 8⅞ 91	16	101½	102½	0	−0¼	8.61
New Zealand 8⅛ 87	15	99⅝	100⅝	+0⅛	−0¼	8.33
Average price changes...	On day 0 on week 0					

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 90 C$	50	†97	97½	−0⅜	−0⅜	17.49
Federal Dev. 17⅛ 86 C$	40	†101	102	−0⅜	−0⅜	17.17
GMAC (Can.) 16 87 C$	60	†104	105	−1	−0⅜	16.62
Pancanadian 16½ 86 C$	65	†96⅝	97¼	−0⅜	−0⅜	17.23
Queb. Urban 16¾ 86 C$	20	†100	101	0	0	16.54
Roynat 17⅛ 86 C$	40	†100½	101	−0⅜	0	16.95
Tordom Cpn. 13½ 85 C$	30	†93⅜	94⅛	−0⅜	+0⅜	16.04
M. Bk. Dnmk. 9 91 EUA	25	86⅞	87⅝	0	+1	11.34
SOFTE 8¾ 89 EUA	40	77⅛	78⅝	0	−0¼	13.10
U. Bk. Nwy. 9½ 90 EUA	18	91½	92¼	0	+0⅜	11.02
Algemene Bk. 10⅛ 86 Fl	60	97¼	97⅝	0	−0¼	11.00
Amfas Group 12¼ 88 Fl	40	102½	103	+0⅛	0	11.43
Amro Bank 12 88 Fl	75	101⅛	101¼	−0⅜	0	11.50
Amro Bank 12 86 Fl	60	101⅛	101¼	−0⅜	0	11.60
Heineken NV 10 87 Fl	100	96⅝	96⅞	0	−0¼	10.89
Pierson 10⅛ 86 Fl	50	97⅛	97⅝	0	0	11.08
Rabobank 12 86 Fl	50	101⅞	102⅛	0	+0⅛	11.38
Air France 14½ 86 FFr	200	95⅝	96⅜	0	+1⅛	15.88
Bk. America 14½ 86 FFr	250	93⅞	94⅞	0	+0⅜	16.39
Charb'nages 13⅞ 85 FFr	400	95⅛	96⅛	0	+1⅛	15.42
EIB 14½ 88 FFr	300	91⅛	92⅛	0	+1½	16.42
La Redoute 14⅛ 85 FFr	125	91⅞	92⅞	0	+0¼	17.19
OKB 14 86 FFr	400	93⅞	94⅞	0	+0⅜	16.01
Solvay et C. 14⅛ 86 FFr	200	94½	95½	0	+1⅜	16.50
Swed. E. Cr. 14⅛ 86 FFr	250	94⅝	95⅝	0	+0⅜	16.24
U. Mex. Sts. 14 86 FFr	150	92⅝	93⅝	0	+0⅜	16.90
Acona 14 85 £	20	91⅛	92⅛	0	+0¼	17.01
Beneficial 14⅞ 90 £	20	84⅞	85⅞	0	+0⅜	17.59
BNP 13½ 91 £	15	85⅞	86⅞	+0⅛	+1	16.51
CECA 13½ 88 £	20	88	90	−0½	−0½	16.12
Citicorp O/S 13½ 90 £	50	90	91	+0⅛	+0⅜	15.66
Fin. Ex. Cred. 13⅜ 86 £	15	90⅝	91⅝	0	−0⅜	16.96
Gen. Elec. Co. 12½ 88 £	50	85⅜	86⅜	−0⅜	+0⅜	15.88
Hirom Walker 14⅛ 86 £	25	93⅜	94⅜	0	+0⅜	16.20
Privatbanken 14½ 88 £	12	89⅜	90⅜	0	−0⅜	17.25
J. Rothschild 14⅛ 90 £	12	92⅜	93⅜	−0⅜	−0¼	15.71
Royal Trustco 14 86 £	12	93½	94½	0	+0⅜	16.12
Swed. Ex. Cr. 13⅜ 88 £	20	91⅞	92⅞	0	0	16.43
Akzo 9¾ 87 LuxFr	500	87⅜	88⅜	+0¼	+0⅜	12.20
Euratom 9¾ 88 LuxFr	500	87⅛	88⅛	0	+0¼	12.82
Eurofima 10¾ 87 LuxFr	500	92⅜	93⅜	0	0	12.28
EIB 9¾ 88 LuxFr	500	89⅜	90⅜	+0⅛	+0⅛	12.24
Volvo 9⅞ 87 LuxFr	500	87½	88½	+0⅛	+0⅞	12.79

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99	99½	18/6	14⅝	14.36
Bank of Montreal 5¼ 91	0⅛	98⅞	99⅜	29/4	17.06	17.17
Bank of Tokyo 5¼ 91	0⅛	99⅝	100⅛	10/6	13⅛	13.25
Bk. Nova Scotia 5¼ 93	0⅛	99⅝	99⅞	29/4	17.06	17.13
BBL Int. 5 86	0¼	99⅜	99⅞	20/5	13½	13.57
BFCE 5¼ 88	0¼	99½	100	26/4	16.94	16.98
BFCE 5¼ 87	0⅜	99½	100	27/7	16⅛	16.29
Christiania Bk. 5½ 01	‡0⅛	99	99½	5/5	16	16.12
Co-Ban Eurofin 5½ 91	0¼	98½	88	14/4	16.89	16.90
Den Norske Cred. 5½ 93	0¼	97½	98	4/6	13.56	13.87
Genfinance 5¼ 92	0⅛	99⅜	99⅞	30/6	15½	15.56
Giro and Bank 5¼ 91	‡0⅛	99¾	99⅝	23/3	14.05	14.15
GZB 5¼ 92	‡0⅛	98⅞	98⅞	6/3	13⅛	13.24
Ind. Bank Japan 5¼ 88	0¼	98¼	98⅝	9/6	13.31	13.52
Lloyds Eurofin 5¼ 93	§0⅛	99⅜	99⅝	29/4	17.13	17.22
LTCB Japan 5½ 88	0⅛	99⅜	99⅝	16/7	15.31	15.41
Midland Int. Fin. 9 91	0⅛	99⅝	100⅛	30/4	17.06	17.08
Nacional Fin. 5½ 88	0⅛	†97	97½	26/3	17.37	17.80
Nat. Bk. Canada 5¼ 88	0⅛	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5¼ 91	§0¼	98⅞	99⅜	15/7	15.19	15.32
Nat. West. Fin. 5¼ 92	§0⅛	99½	100	23/4	17	17.04
Nordic Int. Fin. 5¼ 91	0⅛	98⅜	98⅞	6/5	15⅝	15.74
Offshore Mining 5¼ 91	0⅛	98⅜	98⅝	2/6	13	13.21
Pemex 8 91	0⅛	97	97½	8/4	17	17.48
PKbanken 5 91	0¼	98½	99	17/6	14⅜	14.58
Sanwa Int. Fin. 5¼ 88	0⅛	†99⅜	99⅞	24/3	17⅛	17.31
Scotland Int. 5¼ 92	0⅛	99⅜	99⅞	23/3	13.94	14.16
Sec. Pacific 5¼ 91	0¼	99⅜	99⅞	24/5	13⅛	13.43
Societe Generale 5¼ 91	0⅛	†99⅜	99⅞	22/7	15⅜	15.50
Standard Chart. 5¼ 91	0⅛	97⅞	98⅜	18/5	13.31	13.57
Sumitomo Fin. 5½ 88	0⅛	99⅜	99⅞	9/8	16	16.03
Average price changes...	On day 0 on week −0⅛					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¾ 96	7/81	933	93⅝	95⅛	−0⅛	4.50
Bow Valley Inv. 8 95	4/81	23.12	95⅛	97	0	52.86
Canon 6¾ 95	1/81	829	102½	104⅛	−3	−0.15
Daiwa Secs. 5½ 96	12/81	513.3	†72	74	0	−2.10
Fujitsu Fanac 4½ 96	10/81	6770	106⅞	108⅜	−0⅛	8.09
Furukawa Elec. 5⅜ 96	7/81	300	112½	113½	−2⅛	−6.73
Hanson O/S Fin. 9½ 96	3/81	2.74	†89	90	0	93.97
Hitachi Cable 5⅜ 96	2/82	515	99	100	+0⅝	−0.88
Hitachi Cred. Cpn. 5 88	7/81	17.73	78	80	+1⅛	2.14
Inchcape 8 95	2/81	4.55	†62	63½	0	14.05
Kawasaki 5¼ 96	9/81	229	67⅞	70⅛	−2⅛	−0.06
Marui 8 96	7/81	931	98⅜	99⅞	−1⅛	11.57
Matsushita El. 7½ 95	11/80	590	83½	85	+1⅛	2.80
Minolta Camera 6 96	10/81	909	67⅞	69⅛	+0⅞	9.78
Minorco 9¼ 97	5/82	8.16	95	95¾	0	6.19
Murata 5¼ 96	7/81	2190	69½	71	−0⅞	6.62
NKK 6½ 96	7/81	188	83⅝	85⅛	−2⅞	−10.08
Nippon Chemi-C. 5 91	10/81	919	72	74	0	7.17
Nippon Electric 5¼ 97	2/82	846	98⅝	99⅝	−0⅛	1.34
Orient Finance 5¼ 97	3/82	1667	88⅞	90⅜	−0⅛	1.41
Sanyo Electric 5 96	10/81	652	76½	78	0	8.14
Sumitomo Met. 5¼ 96	10/81	305	69½	71	−2	−0.22
Swiss Bk. Cpn. 6¾ 90	9/80	191	†70	72	0	19.50
Taylor Woodrow 8¾ 90	1/81	4.94	†85	86	0	−4.46
Konishiroku 6 90 DM	2/82	585	102⅞	103⅞	+1⅛	−0.34
Mitsubishi H. 6 88 DM	2/82	263	97⅝	98⅝	−1⅛	6.90

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

N. AMERICAN QUARTERLIES

MUNSINGWEAR	1981 $	1980 $
Year		
Revenue	131.2m	133.5m
Net profits	†6.25m	†3.85m

† Loss

NATIONAL GYPSUM	1981 $	1980 $
Fourth quarter		
Revenue	226.0m	246.6m
Net profits	1.77m	14.1m
Net per share	0.12	0.85
Year		
Revenue	965.7m	983.9m
Net profits	32.4m	63.3m
Net per share	2.01	3.82

NORTH AMERICAN PHILIPS	1981 $	1980 $
Fourth quarter		
Revenue	906.5m	838.2m
Net profits	27.85m	29.22m
Net per share	2.03	2.22
Year		
Revenue	3.03bn	2.17bn
Net profits	78.52m	74.38m
Net per share	5.78	5.69

OGILVY AND MATHER	1981 $	1980 $
Fourth quarter		
Revenue	92.1m	75.4m
Net profits	5.94m	4.96m
Net per share	1.39	1.18
Year		
Revenue	302.9m	263.5m
Net profits	16.54m	13.85m
Net per share	3.89	3.31

PACIFIC TEL. AND TEL.	1981 $	1980 $
Year		
Revenue	8.3bn	5.8bn
Net profits	438.8m	363.4m
Net per share	1.90	1.81

PETROLANE	1981-82 $	1980-81 $
First quarter		
Revenue	523.4m	460.5m
Net profits	34.67m	27.99m
Net per share	0.66	0.54

PITTSTON	1981 $	1980 $
Fourth quarter		
Revenue	637.4m	622.6m
Net profits	27.05m	17.04m
Net per share	0.72	0.45
Year		
Revenue	2.23bn	2.05bn
Net profits	42.73m	77.41m
Net per share	1.13	2.06

RAYMOND INTERNATIONAL	1981 $	1980 $
Fourth quarter		
Revenue	401.0m	180.6m
Net profits	4.75m	3.18m
Net per share	0.79	0.58
Year		
Revenue	1.09bn	653.0m
Net profits	15.8m	6.11m
Net per share	2.55	1.23

A. H. ROBINS	1981 $	1980 $
Fourth quarter		
Revenue	118.7m	115.3m
Net profits	10.68m	30,000
Net per share	0.44	—
Year		
Revenue	450.9m	432.3m
Net profits	44.23m	25.47m
Net per share	1.77	1.01

AMP

Annual revenues of AMP in 1980 were $1.156bn, not $1.56bn as reported in our summary of North American quarterly results on January 29.

INTERNATIONAL COMPANIES and FINANCE

Sharp rise in earnings at Svenska Handelsbanken

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SVENSKA Handelsbanken yesterday reported a 41 per cent improvement in group earnings to SKr 1.36bn ($234m) for 1981. The operating profit for the bank itself climbed at the same rate to SKr 1.16bn.

The board is lifting the dividend by SKr 0.70 to SKr 5.50 a share. The dividend on the index shares, which is adjusted in line with the Swedish consumer price index, rises from SKr 1.70 to SKr 1.90 a share. The total dividend cost will be SKr 150.7m.

Adjusted group earnings are shown as SKr 20.20 a share on the ordinary stock, compared with SKr 14.40 in 1980 and SKr 17.50 in 1979. The group balance sheet total rose by 24 per cent to SKr 102.4bn.

The bank's income climbed by 25 per cent while the increase in costs was held to 12 per cent. Personnel costs were limited to a rise of 7 per cent. Interest income was up by 26 per cent to SKr 1.66bn.

Credit losses are listed as SKr 50m and currency losses at SKr 9m. The bank will allocate SKr 820m to the reserves, bringing them to a total of SKr 4.66bn.

After tax, Svenska Handelsbanken showed a 46 per cent improvement in net profit to SKr 117m. The bank's deposits grew by 17.2 per cent to SKr 40bn during the year, while lending rose by 16 per cent to SKr 39.8bn.

Nissan takes control of Motor Iberica

By Robert Graham in Madrid

THE SPANISH GOVERNMENT has given the go-ahead for Nissan Motor of Japan to raise its 36 per cent stake in Motor Iberica to 55 per cent.

Nissan will acquire control through a four-for-nine rights issue which will inject Pts 2,19bn ($21.5m) into Motor Iberica. Nissan bought its previous interest in Motor Iberica, a leading producer of agricultural machinery and light vehicles, from Massey Ferguson in January 1980 for $40m. At the time the Japanese company indicated that it would eventually seek majority control.

Three months ago Nissan announced that it intended to invest more than $60m in the company, which is scheduled to begin manufacturing two Nissan models—the Vanette and the four-wheel-drive Patrol —next year.

Spanish approval for the deal follows Suzuki's recent plans for a co-operative with Landrover Santana in the production of the four-wheel drive Jimmy in Spain.

Fiat in small motors joint venture with U.S. group

BY JAMES BUXTON IN ROME

FIAT, the Italian motor group, has established a joint venture for the manufacture of small engines with Tecumseh Products, one of the leading U.S. companies in the field.

The 50-50 joint venture, in which Fiat is represented by a components subsidiary, Aspera, is to be called Tecnamotor. It will concentrate on making two-stroke and four-stroke motors.

Tecumseh operates on a world scale in small engines and other industrial products and has annual sales of about $1bn.

The new company, based at Turin and with a capital of L16bn ($12.5m), will produce and market the motors for the growing European market. It envisages a turnover in 1982 of about L50bn.

The agreement with Tecumseh is a further example of growing co-operation between Fiat and U.S. component companies. Last year Iveco, the Fiat heavy vehicles subsidiary, entered a joint venture with Rockwell for the manufacture of rear axles in Italy. Another Fiat subsidiary, Semelco, has just reached an agreement with the Italian subsidiary of Motorola of the U.S. for the supply of electronic semi-conductors.

Norden lifts profits and dividend

NORDEN, one of Norway's largest insurance groups, increased pre-tax profits to over NKr 60m ($10m) in 1981 from NKr 54.4m and is increasing its dividend from 12 per cent (the maximum permitted in 1980) to 13 per cent. The ceiling on dividends has been lifted by the new Conservative Government, Fay Gjester writes from Oslo.

Total turnover reached about NKr 2bn. Profits at the non-life company, Norden Skade, were weaker, but advances were made by most non-insurance subsidiaries. These include a data-processing company and several investment companies.

Strong growth at Paribas banking arm

By Terry Dodsworth in Paris

COMPAGNIE Financiere de Paris et des Pays-Bas, holding group for the newly-nationalised Paribas banking empire, raised net profits last year to FFr 306m ($50m) from FFr 289m in 1980.

In his final letter to shareholders, M Jacques de Fouchier, brought in as chairman on a temporary basis after the resignation of M Pierre Moussa, said that the group's banking subsidiary, Banque de Paris et des Pays-Bas, had made "more spectacular" progress in increasing net profits by 20 per cent from FFr 142m to FFr 170m.

This figure was achieved, said M de Fouchier, after making "exceptional" provisions to allow for the difficult business climate. A big jump in cash-flow, from FFr 544m to FFr 823m, partly deriving from the group's rapid international development, made the provisions possible.

Consolidated figures for the group, which made net consolidated profits in 1980 of FFr 1.3bn, are not yet available.

M de Fouchier added that the revised government terms for nationalisation of Paribas, which amount to FFr 312 a share against FFr 221 under the original offer, was a compromise between "the desirable and the possible."

But although claiming that the revised figure represented only half the real value of the company's assets, he said it gave room to hope that possible legal actions demanding better treatment for overseas shareholders could be avoided.

The increase in the Government's compensation terms would help to maintain Paribas' international business.

William Chislett reports on a Central American debt problem

Costa Rica goes back to the IMF

THE INCOMING Costa Rican Government of Sr Luis Alberto Monge is wasting no time in starting to tackle the nightmarish foreign debt problem which it inherits from the Carazo Administration on being swept to victory in this month's elections.

The Central American republic is about $577m in arrears on unpaid interest and capital repayments on its $2.9bn public sector foreign debt.

The National Liberation Party (PLN) will not take office until May. But already it has decided to send a mission to Washington on Monday, to re-establish good relations with the International Monetary Fund.

The outgoing Government broke two IMF agreements in two years, and relations became so bitter that the Administration closed the Fund's office in San José. The Government took objection to the way in which the IMF's local representative suggested Costa Rica should implement austerity measures.

Commercial banks, including Lloyds and Bank of America, have an exposure of about $1.1bn out of the total $2.9bn. They are adamant that they will not reschedule their debt until Costa Rica signs a new IMF facility and pays some interest.

"The first thing we have to do is establish some credibility," says Sr Eduardo Lizano, a senior economic adviser to the incoming Government. "After what the Carazo Government did, nobody believes Costa Rica is serious."

The Monge Government is anxious to have an IMF representative in San Jose as soon as possible. "How can we reach agreement with the Fund when it hasn't even got a presence in Costa Rica?" The PLN would like a letter of intent with the IMF to be drawn up by the time it takes office in May. It will also meet the steering committee of foreign banks in March, for the first time.

But while the PLN is a lot more determined to reach agreement with the IMF—the key to Costa Rica's prospects for economic recovery—it too, has reservations about adopting some of the IMF's belt-tightening measures. "We know that we must have an agreement," Sr Lizano says, "but we cannot accept 100 per cent of their measures."

The Monge Government is prepared to increase petrol prices and utility prices, as the IMF demands, but it is reluctant to make sweeping cuts in the Budget for fear of sparking off social unrest. And the economic crisis which it has inherited from the free-spending Carazo Government is so severe that it can pay very little of the interest arrears even though it wants to show good faith.

Had Costa Rica paid the $577m interest and principal owing in the last five months of 1981, it would have swallowed the bulk of the year's total exports of $1bn.

The central bank sold all $40m of its gold last year. "We cannot pay any interest," says Sr Jose Miguel Alfaro, the vice-president in charge of the economy under the Carazo Government. PLN officials believe that only a token amount can be paid.

Costa Rica went cap in hand to its last meeting, in January, with its international creditors. The Government said that it could pay the arrears on its interest only if the banks made new money available.

The banks threw out this request. "They are crying wolf too much," said one European banker. The banks believe that Costa Rica could pay some of the arrears if it made sacrifices in its ballooning public sector spending and stopped living beyond its means.

The banks are prepared to roll over capital payments for a year, but only if some of the arrears on interest are paid and interest is also paid during the year of extension. The year would allow the new Government to work out a definitive agreement with the IMF, it is thought. This would open the door to earnest rescheduling talks.

Meanwhile, the debt problem has been compounded by the tricky issue of whether Costa Rica should include its $133m of bonds in a rescheduling agreement. Costa Rica is breaking ground, along with Poland, in this issue, since no sovereign borrower has ever rescheduled bonds, and Costa Rica could well have the dubious distinction of setting a precedent in this field.

The issue has sparked off a row between the commercial banks, which want all debts to be treated equally, and investment banks, which insist that the bonds be excluded from rescheduling. Under pressure from the steering committee, Costa Rica has agreed to reschedule the great majority of bonds which are held by institutions and not individuals.

Sr Luis Bell, the Carazo Government director of public sector foreign borrowings, says that Costa Rica was forced to stop bond repayments last November, after the commercial banks threatened to call off rescheduling talks if any bond payments were made.

But drawing a distinction between individual and institutional holders is no easy matter. A committee is being set up to make the definitions.

Mr Neil Balfour, executive director of the European Banking Company, which led the largest outstanding bond issue to Costa Rica, of $50m, arrived hot foot in the country early this month to try to persuade the Carazo Government to rethink its decision. Officials told him that their hands were tied by the steering committee.

The bond issue has raised all sorts of complex technical and practical problems. At the same time, bankers are becoming highly nervous about Costa Rica's $897m private sector external debt. Most companies want to reschedule their debt since the present economic climate is driving them to the wall.

INTERNATIONAL APPOINTMENTS

Sears, Roebuck senior posts

● Mr Andrew J. Melton Jr and Mr C. Wesley Poulson have been elected to the board of directors of Sears, Roebuck and Company, Chicago. Mr Donald A. Deutsch and Mr William E. Sanders have been elected vice-presidents of Sears, Merchandise Group. Mr Deutsch was named vice-president public affairs and Mr Sanders vice-president, personnel and employee relations.

Mr Melton and Mr Poulson were elected for an interim period until the company's annual meeting in May, when they will be candidates for election by Sears shareholders. They replace Mr Preston Martin and Mr William L. Spencer, who have resigned from the board.

Mr Melton is chairman and chief executive officer of Sears Financial Services Group and of Dean Witter Reynolds Incorporated, which merged with Sears last year.

Mr Poulson is chairman and chief executive officer of the Seraco (real estate) Group of Sears and of Coldwell, Banker and Company, which also was acquired by Sears last year.

● RENAISSANCE RESOURCES, Canadian-based oil and gas exploration company, has appointed Mr J. Robert Paget company secretary as vice-president corporate development. Mr Dick Wigington becomes exploration manager; Mr Peter Davies comptroller; and Mr Grant Wierzba becomes manager, drilling and completions operations.

● Mr Matty Vanderbroeck has been appointed managing director for the Benelux and France of the International Swiss consulting group KNIGHT WEGENSTEIN. He was principal with Booz Allen and Hamilton Inc in Paris. Mr Vanderbroeck will work from offices in Vught, Holland, and Paris.

● BANK OF NEW YORK COMPANY has appointed Mr Peter Herrick as president and chief operating officer of the Bank of New York. He succeeds Mr J. Carter Bacot, who was named chairman and chief executive officer of the bank and the holding company after the death of Mr Elliott Averett on January 12. Mr Herrick previously was executive vice-president in charge of national and special industry banking, metropolitan banking and international banking.

● Mr G. F. Parsons, formerly group chief executive with John Laing and Sons, has joined the board of McINERNEY PROPERTIES, Dublin. Mr Ambrose McInerney is to continue as non-executive chairman and Mr Dan McInerney will remain chief executive for a further two years.

● PETROLANE INC has promoted Mr B. Bruce Baldridge to executive vice-president. Succeeding him as president of the petroleum services division is Mr G. E. Stevens, previously president of the company's contract drilling subsidiary, Brinkerhoff-Signal Inc.

● Mr Peter C. Brockett has joined PACIFIC LIGHTING CORP as treasurer. The company's principal subsidiary is Southern California Gas Company, said to be the largest natural gas distribution company in the U.S.

● AM INTERNATIONAL, Chicago, has appointed Mr Wayne Rockenbach as assistant controller responsible for the company's internal and external financial reporting.

● Mr Kenneth J. Huffman has been named director of investor relations for SUN COMPANY, Radnor, Pa. He replaces Mr Leman M. Davis, who was appointed director of strategic planning.

● Mr Alan Gregson has been appointed vice-president—controller, LEVI STRAUSS INTERNATIONAL, San Francisco. He joined the company in 1972 as deputy controller, UK.

● CONRAC CORPORATION, Stamford, Ct, has appointed Mr Robert J. Hanks to the company's headquarters staff as a group executive covering overall management of the company's telecommunications business. He comes to Conrac from General Telephone and Electronics, Inc, where he has been vice-president and general manager of GTE Communications Products' Asia-Pacific operations.

● Following the deaths of Dr H. Grob, general manager, SWISS BANK CORPORATION and of Mr P. Stern, manager at the Basle office, the board has appointed Mr Francis Christie, at present central manager, to be general manager from March 1 and Mr Georges Blum, at present manager at the Lausanne office, to be central manager from April 1.

● Mr Wesley M. Witten, president of the ETSI Pipeline Project, San Francisco, has been given the additional responsibilities of chairman of the management committee and chief executive officer of the COAL SLURRY PIPELINE JOINT VENTURE. He succeeds Mr Jerome W. Komes who has retired from active day-to-day operation of the project. Mr Komes will continue as a consultant to the project. Mr Witten, a 25-year veteran of Atlantic Richfield Company, joined ETSI as president in July 1981. Partners in the joint venture include the following companies or their subsidiaries: Atlantic Richfield, Bechtel, Kansas-Nebraska Natural Gas, Lehman Brothers Kuhn Loeb, and Texas Eastern.

ALUMINIUM PRODUCERS CUT DIVIDENDS

Alcan Australia and Comalco down

BY GRAEME JOHNSON IN SYDNEY

ALCAN AUSTRALIA and Comalco, two of the country's major aluminium producers, have reported sharply lower earnings because of the depressed state of the industry. Both companies have cut their dividends.

Alcan, which is 70 per cent owned by the Canadian producer, suffered a 61 per cent fall in net profits for the year ended December to A$7.34m (SUS$8m) from A$18.7m a year earlier. It has declared a final dividend of 5 cents a share against 11 cents a year earlier.

Comalco, which is 45 per cent owned by CRA, a leading Australian resources company, reported a 62 per cent fall in net profits to A$28.42m from A$75.2m. It has reduced its full-year pay-out to 5 cents a share from 9 cents.

The profit slumps came despite a 29 per cent increase in Alcan's turnover to A$235.4m and a modest increase in Comalco's sales to A$715m from A$710m.

The results were expected after an exceptionally gloomy year for the international aluminium industry. Alcan was partially protected, however, because it is a large trader of alumina, long-term contracts for which help cushion the impact of fluctuating prices. Also, it is not involved in costly downstream processing as are many of its competitors.

Comalco was hit by lower returns on overseas sales of primary aluminium, higher operating costs, and depressed demand.

Both companies were substantially affected by higher interest charges.

The producers said that prospects for 1982 were "not bright." Comalco added that demand for aluminium is expected to remain depressed until Western economies improve.

Western consumption of aluminium sunk to 11.3m tonnes last year, the lowest level since 1977 and the second year running that consumption fell far short of production.

Comalco said that despite low-priced spot sales by many producers, the industry's inventories were significantly higher at the end of the year than in 1980 and are well above normal levels.

At the downstream end of the business, Comalco's Australian aluminium distributor reported a slightly lower profit despite a 22 per cent increase in sales.

The company is continuing with its major capital spending projects including the Boyne Island smelter and the construction of a third pot line at the Tiwai Point smelter. Both projects are due to start up this year and will substantially increase primary metal capacity.

Earnings collapse at Showa Denko

By Yoko Shibata in Tokyo

Showa Denko, the diversified chemical company has reported a more than 90 per cent fall in profits and a 13 per cent fall in sales for the fiscal year ending December 31 1981. The sharp downturn is blamed on the weakness of the petrochemical market, competition from cheaper imported products and higher naphtha feedstock prices resulting from the depreciation of the yen.

The company's unconsolidated full year operating profits plunged by 90.7 per cent to Y1.49bn ($6.2m) and net profits were down to Y572m, a fall of 92.5 per cent, on sales of Y384.49bn ($1.6bn). Per share profits shrunk to Y0.65 from last year's Y8.67 although the dividend of Y4 is being maintained.

In its chemical division Showa Denko suffered from a high level of inventories. The company also participated in an anti-recession cartel formed by some polyethylene makers last summer to try and shore up the market.

In addition the depreciation of the yen lifted the price of imported naptha considerably compared with U.S. and Canadian prices and allowed for a surge in the import of cheaper petrochemical products. Sales by the company of such products fell by 13.9 per cent and comprised 56.3 per cent of total sales.

Sales of carbon furnace products declined by 5.3 per cent to account for 26.4 per cent of total turnover, reflecting sluggishness in the electric furnace industry. The inorganic and construction materials division also suffered a fall, of 24.2 per cent, taking it to 15.7 per cent of total turnover.

Showa Denko has been trying to diversify from general petrochemicals but its moves in this direction have yet to begin to increase its earnings. The company is confident of a sharp recovery in its position during the second half of the current year. Operating profits are expected to reach Y9bn, up more than five fold, on prospective full year sales of Y410bn.

Increased interest costs limit growth at Abercom

BY OUR FINANCIAL STAFF

ABERCOM, the diversified South African engineering group, raised its operating profits by 26 per cent to R14.2m ($14.5m) in the six months ended December. Turnover rose by 39 per cent to R138.4m.

The increase at the net level, however, was held to 12 per cent, mainly by a near doubling of interest charges to R4m. Net profits were R7m, or 35 cents a share, against R6.6m, or 32 cents a year earlier. It declared an interim dividend of 16 cents against 14 cents.

The company said its performance reflected strong results from the international fan and product manufacturing divisions.

The springs and components divisions performed satisfactorily but reduced contributions to group profits were made by Central African operations and mining equipment divisions.

The company is forecasting harder trading conditions and higher interest rates but is confident that it can increase profits in the second half and in the next fiscal year.

The board hopes to pay a full year dividend of no less than 36 cents against 31 cents last year.

Safmarine sees slowdown after strong first-half rise

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN Marine Corporation (Safmarine), the national merchant shipping line, continued to benefit from high levels of foreign trade in the six months ended December 31 1981. First-half trading profit rose by 21.6 per cent to R71m ($72m) from R58.4m in the corresponding period of 1980. First-half turnover was R368m ($373m) against R262m.

The company warns that the growth in trade—and in particular imports—has begun to slow down in line with the trend in international trade. This is expected to affect results during the second half of the current financial year although full-year profits are expected to show a reasonable increase over those of 1980-81.

First-half earnings rose to 52 cents a share from 36 cents in last year's first half and compares with 80 cents for all 1980-81. Safmarine does not pay interim dividends. Last year's final payment was 32 cents.

Safmarine, which handles about 40 per cent of the country's shipborne trade, expects to add to its bulk carrier fleet to cope with sharply higher coal exports which are due to begin from Richards Bay

Voltas more than doubles profits to record levels

BY R. C. MURTHY IN BOMBAY

VOLTAS, part of the Tata group of companies, has reported more than doubled pre-tax profits for the year ending August 1981 of a record Rs 88m ($9.7m) against Rs 41.8m for the previous year. This came on an 18.2 per cent increase in turnover to Rs 3.4bn ($316m).

With a good order book and the proposed manufacture of new products this year the company reports a steady improvement in its profit margins in the first quarter of 1981-82. Mr Akbar Hydari, Voltas' chairman, says that the long term strategy of diversification, widening of the company's manufacturing base and the undertaking of a number of projects on a turnkey basis should ensure that this will be a good year.

The 1980-81 figures represent a sharp growth from 1976-77 when pre-tax profits were slightly more than Rs 1m.

The Indian Government has *approved proposals* for the manufacture of truck-mounted Pandh hydraulic cranes, a project being undertaken with technical co-operation from Harnischfeger Corporation of the U.S. The company also intend to take over the manufacture of a wide range of earth-moving equipment from the state-owned Bharat Earth Movers and the Birla owned Hindustan Motors.

As part of its further diversification Voltas is seeking government permission to manufacture 100,000 refrigerators at a new plant in the western state of Maharashtra. Work under a current licence to produce 10,000 refrigerators has been suspended because of the uneconomic size of the operation.

The company has also launched a three-year project to modernise its ageing plant at Thane near Bombay and plans to take advantage of government loans, at a basic rate of 14 per cent, to renew *other parts of its* manufacturing plant.

Upturn for North Borneo Timber

BY WONG SULONG IN KUALA LUMPUR

NORTH BORNEO TIMBER, a leading Malaysian logging group, has reversed the decline in its profits with a 31 per cent improvement in pre-tax earnings to 2.95m ringgit ($1.27m) for the six months ended November.

The improvement came from the shedding of loss-making associates. Demand for timber remained weak, and log output was trimmed by 12 per cent to just over 7m cubic feet. Revenue fell by 18 per cent to 48m ringgit.

The company said prices had improved lately because of the wet season, but no sustained improvement was anticipated.

Early Wall St fall of 9.4

AMID INCREASED worries about the interest rate outlook, Wall Street fell sharply over a broad front early yesterday, although the market was above the worst at mid-session.

Renewed fears that the Federal Reserve might tighten monetary policy further stemmed from last Friday's report of an unexpectedly large increase of $2.3bn in the M-1 money supply aggregate for the week to February 3.

The Dow Jones Industrial Average was 13.13 down at the 10.30 am calculation, but later picked up to register a net fall of 9.42 at 824.39 at 1 pm. The NYSE All Common Index was 75 cents weaker on balance at $65.34, after $65.21. Declines held a four-to-one ratio lead over rises, while trading volume came to 32.27m shares, compared with Friday's 1 pm level of 28.12m. U.S. markets were closed on Monday for the Washington's Birthday holiday.

Analysts said the market is concerned that interest rates could rise further as a result of the continued strong growth in the money supply.

A small bank, UMB Bank and Trust, raised its Prime Rate to 17 per cent from 16½ per cent yesterday morning, and analysts said the major banks are likely to increase their Prime from the current 16½ per cent in the near future.

Mirro was up ¼ to $10¼ after a delayed opening. The gain came despite news that it had a fourth quarter loss and cut its dividend to 15 cents a share from 24 cents.

THE AMERICAN SE Market Value Index weakened 4.70 to 270.30 at 1 pm. Volume 3m shares.

Canada

Markets tended to ease afresh in a fairly active early trade. The Toronto Composite Index was 3.3 lower at 1,645.0 at noon, while Golds shed 10.2 to 2,463.4, but Metals and Minerals rallied 11.5 to 1,563.8 and Oil and Gas 1.1 to 2,789.9.

Economists are predicting a recovery in the Canadian economy by summer, but warn it could be checked by interest rates, poor corporate profits and weak consumer demand.

Australia

The weakening trend continued yesterday in quiet trading, leaving the All Ordinaries index down 5.3 more at 511.5, the lowest point since introduction of this combined Australian stock exchanges' index on January 1 1980.

Brokers said Oil and Gas issues bore the brunt of losses yesterday as determined local investor selling pushed prices lower. They added that a lack of overseas buying or bargain hunting in cut-price Resources stocks was keeping the market firmly on its bearish path.

The Oil and Gas index ended 13.9 lower at 521.4 and Metals and Minerals 4.2 easier at 366.5.

Oil and Gas Explorers seem to be undergoing a major correction in light of the current world energy glut.

Although the market has had no official word about drilling results from the Jackson No. 2 well, rumours indicated that the drillers had struck trouble. Claremont fell 20 cents to A$1.10 for a two-day drop of 38 cents. However, partner Santos picked up 10 cents to A$5.10 after falling 50 cents the previous day.

Crusader Oil receded 50 cents to A$5.30, while Alliance Oil, which has reported gas and oil flows from Petrel No. 3 in the Bonaparte Gulf, and Merrimelia No. 7 in the Cooper-Eromanga Basin, dipped 7 cents to A$1.25.

Coal stocks were under more pressure, especially the New South Wales-based companies. Oakbridge lost 8 cents to A$1.47.

CRA associate Comalco eased 2 cents to A$1.50 after announcing a 62.4 per cent drop in profits for 1981.

Tokyo

Many shares fluctuated within a narrow range throughout the day in another light trade as caution dominated the market because of uncertainty about the yen-dollar rate and worries over further upward pressure on U.S. interest rates.

Traders said the Tokyo market was waiting for Wall Street to reopen after Monday's national holiday in the U.S. to see how it would react to last Friday's late news of a jump in the American money supply figures.

The Nikkei-Dow Jones Average was a marginal 0.26 easier at 7,693.92 but the Tokyo SE index edged up 0.61 to 570.07. A volume of only 150m shares was recorded but this exceeded Monday's 110m.

Large capitals were little changed, while Light Electricals, Precision Instruments, Motors and many other Blue Chips ended mixed. Oils and non-Ferrous Metals retreated on the expected adverse effect of the yen depreciation against the U.S. dollar on their earnings.

Two notable bright spots in Electricals, however, were Sony, up Y80 at Y3,590, and Hitachi, Y5 firmer at Y719. Sony, which had been languishing for some time on news of a slowdown in demand for video tape recorders, gained strength on reports that it has been flooded with inquiries from overseas about a patent on a high-grade silicon crystal production method using magnetic fields. Hitachi benefited from news that it will be ready for shipment of super microchips within this year.

Toyota Motor gained Y20 to Y1,060 following favourable half-year business results and outlook, announced on Monday.

Paris

The market displayed renewed firmness, with the Indicateur de Tendance index rising 1.9 to 121.6.

Analysts said the only element contributing to the buoyant tone was another decline in short-term money market interest rates in France, the sixth reduction in as many days. The Call Money rate was lowered by ⅛ of a point to 14 per cent, its lowest level since Francois Mitterrand was elected to the French presidency in May last year.

Germany

After further weakening at the outset, Bourse prices partially recovered as limited foreign buying interest appeared at the lower levels.

In Domestic Bond trading, prices generally declined in light trading as investors sold or stayed away from the market on assumptions that U.S. interest rates would move higher. The Bundesbank bought DM 55.3m of stock after purchasing DM 17.9m on Monday.

Hong Kong

A further retreat occurred in fairly quiet dealings, but the market ended a good deal above the day's worst on short-covering which emerged during the afternoon.

Brokers cited fears of continued high local interest rates, in line with persistent high U.S. rates. Another discouraging factor was the lack of positive stock market response to the recent sale result of the prime Connaught Site, for which Hongkong Land is paying HK$4.7bn.

The Hang Seng index ended a net 17.73 weaker at 1,230.62, after having been 33.30 lower at the morning close. Turnover on the four exchanges amounted to HK$197.23m, against Monday's HK$231.94m.

Johannesburg

Gold issues were mixed to easier after quiet trading. Southvaal gained 25 cents to R35.25 and Free State Geduld 15 cents to R36.75, but others eased up to 25 cents.

Triomf Fertilizer lost 18 cents to R2.55 following an announcement that a proposed merger with another major fertiliser producer had been called off.

Closing Prices for North America were not available for this edition.

NEW YORK

[illegible]

Indices

NEW YORK —DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

NY. S.E. ALL COMMON

[illegible]

MONTREAL

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CANADA

Stock	Feb. 15	Feb. 12
AMCA Intl	12½	19½
Abitibi	12¾	20
Agnico Eagle	7⅝	7⅝
Alcan Alumin	22⅝	23
Algoma Steel	32¾	37½
Asbestos	13⅛	13⅛
[illegible]	[illegible]	[illegible]

BELGIUM (continued)

Feb. 16	Price Frs.	+ or —
Petrofina	4,552	—116
Royale Belge	5,320	+46
Soc. Gen. Banq	2,555	—15
Soc. Gen. Belge	1,464	—4
Sofina	3,425	
Solvay	2,230	—65
Traction Elect	2,870	+10
[illegible]	[illegible]	[illegible]

HOLLAND

Feb. 16	Price Fls.	+ or —
ACF Holding	78	—0.1
Ahold	53.2	—1
AKZO	22.8	—0.5
ABN	274	—1.5
AMEV	81.1	+0.6
AMRO	47.6	
Bredero Cert	127	
[illegible]	[illegible]	[illegible]

AUSTRALIA

Feb. 16	Price Aust. $	+ or —
ANZ Group	4.08	—0.02
Acrow Aust	1.6	
Ampol Pet	1.50	
Assoc. Pulp Pap	1.60	
Audimco	0.07	—0.03
Aust. Cons. Ind	1.84	+0.01
Aust Guarant	2.23	—0.10
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Feb. 16	Price Yen	+ or —
Kubota	346	+4
Kumgai	364	+1
Kyoto Ceramic	5,760	
Lion	398	—1
Maeda Cons	536	
Makita	751	—69
Marubeni	325	
Marudai	645	
[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

NORWAY

[illegible]

ITALY

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

BRAZIL

[illegible]

COMMODITIES AND AGRICULTURE

Dutch discuss EEC gas plan

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH glasshouse growers are to meet Mr Jan de Konig, the Minister of Agriculture, today to discuss an EEC compromise plan aimed at resolving the dispute over the concessionary prices they pay for heating gas which other EEC growers claim put them at an unfair disadvantage.

Under the Brussels plan the price would be raised to within 10 per cent of the industrial tariff by October and to complete parity by April 1983.

The Dutch growers currently pay just over 30 guilder cents a cubic metre for their gas. This is much less than the industrial price which varies between 42c and 47c. The growers have agreed to increase the price in five stages by April 1984, but the EEC Commission has previously insisted that prices be brought into line by October 1982.

The Dutch Agricultural Board, which represents the country's glasshouse growers, said last night it would be difficult for the Dutch glasshouse industry to accept the EEC's proposal on the basis of details already released from Brussels and the Dutch would anyway not be able to meet the EEC's March 1 deadline for a reply.

If the Netherlands accepted the latest EEC plan, the average Dutch grower would face extra costs of Fl 50,000 (£12,500) a year, one and a half times his current earnings, Mr de Koning said.

He said he had promised the EEC Agriculture Ministers that he would reply to the latest offer by March 1. The threat of some EEC member countries to limit Dutch agricultural imports if the gas price is not raised makes it desirable for the growers to agree to this proposal, the Minister said.

The Dutch government is not directly involved in the clash between the growers and the EEC since the gas price is set by a private contract between the Agriculture Board and the Dutch gas distribution company.

The Dutch growers are concerned that a sharp rise in the price they pay for their gas would put many of them out of business. The Dutch government is keen to avoid the dispute being brought before the European Court of Justice by the EEC Commission.

The Dutch Agriculture Board yesterday filed their appeal to the European Court against an EEC decree issued in December ordering them to bring their prices into line by October. The EEC Ministers' proposal on Monday had come as a surprise to the Dutch growers, the Agriculture Board said.

Jamaican bauxite strikes settled

By Canute James in Kingston

THE YEAR long dispute between the five North American-owned bauxite companies operating in Jamaica, and the union representing 4,100 workers has been resolved, but there is no indication when three of the island's four bauxite refineries, closed by strikes, will be reopened.

The refineries, one owned by Alcoa and two by Alcan, were struck in apparent effort to force a conclusion to the negotiations. The agreement between the companies and the unions will add $33m to the companies' wage bill over the next three years.

The strikes and the closure of the refineries has cost the Jamaican economy an estimated $100m. The government is keen to have the refineries restarted, but the companies, faced with weak demand for aluminium, are under no pressure to begin operations.

Meanwhile local industry says that the signing of a contract between the government and the Federal Emergency Management Agency (Fema) of the U.S. for 1.6m tonnes of ore to be supplied to the strategic stockpile has been delayed because of minor snags. It appears that a location for storing the ore has not yet been agreed.

The sale is expected to bring the island about $55m.

Tin mining tax cuts urged

BY WONG SULONG IN KUALA LUMPUR

TAX CONCESSIONS, increased subsidies, and a slowdown in new investments are some of the suggestions submitted by the Malaysian tin mining industry in response to the recent government announcement of a 25 per cent cut in tin output over the next few years.

Representatives of the tin mining industry, who met Datuk Paul Leong, Minister of Primary Industries, yesterday to find out details of the cuts plan, took the opportunity to renew their calls for a reduction in the tin export, profit taxes and state royalties.

They also made the point that as far as possible, the cutback in output should be done by slowing down new investments and through natural exhaustion of reserves.

Datuk Leong told the miners that the government was currently working out a programme of cuts, and was updating its mining laws to allow it to impose production controls.

The Minister however felt that some hardship was inevitable, and quite a few marginal gravel pump mines might have to shut down.

The proposed cuts will take some months to negotiate. Of more immediate importance, from the Malaysian view, is the need to persuade Indonesia and Thailand to agree on a joint marketing arrangement, which would give them greater say on the sale of tin, and reduce the importance of the London Metal Exchange in setting price levels.

Datuk Leong reiterated the Malaysian view that tin must be sold at "fair" prices above production cost, which he claimed is 34 ringgit per kilo for gravel pump mines. The Straits tin price in Penang on Monday night was 33.60 ringgit per kilo.

Our Commodities Staff writes: Reuter reported from Jakarta that Indonesia may not be receptive to the idea of a tin producers association. It is thought it would not have the power of a true cartel, and in any event Indonesia is anxious to boost its non-oil exports, including tin.

On the London Metal Exchange yesterday cash tin rose by £30 to £8,960 a tonne reflecting a continued shortage of nearby supplies.

Rubber pact delay sought

BRUSSELS — EEC Foreign Ministers will be asked to consider seeking an extension of the deadline for ratifying the new International Natural Rubber Agreement, possibly until mid-April, because of delays in ratification by Belgium and Italy, Reuter reported.

All EEC countries except these two have signalled their intention to ratify the pact but delays in parliamentary approval in Belgium and Italy mean they may not be able to do so before the current deadline expires at the end of this month.

Meanwhile in Malaysia, further criticism of the rubber agreement came from Paul Leong, Primary Industries Minister. Mr Leong said: "We would like to see more effective operations under the international natural rubber agreement. The buffer stock manager could buy more . . . the rules and regulations allow him to do so."

He declined to say whether Malaysia would consider an Asean (Association of South-East Asian Nations) rubber producers' marketing arrangement, stating the question was "pre-emptive."

Our Commodities Staff writes: Rubber prices eased again in London yesterday in spite of reported further buying by the buffer stock of the International Rubber Agreement. R.S.S. No. 1 spot closed 0.5p down at 46.25p a kilo—the lowest level for nearly four years.

Demand for rubber remains at a low ebb, hit by the recession in the tyre and automobile industries. Market sentiment was further depressed by the prospect of higher U.S. interest rates delaying a recovery in demand for rubber and discouraging consumers from rebuilding stocks.

Coffee at 19-month high

By Richard Mooney

RENEWED SPECULATIVE buying pushed coffee prices on the London futures market to a new 19-month high yesterday. The May quotation reached £1,353 a tonne at one stage before ending the day £16 up at £1,332.50 a tonne.

The market has now rallied by about £600 a tonne from the low level reached last July. But some dealers are feeling a little nervous about the rise.

They point out that it has taken the International Coffee Organisation (ICO) indicator price above the 135 cents a lb level which, if maintained for 15 days, would trigger an extra quota release of 672,000 bags (60 kilos each).

Moreover the current price is close to the next trigger level at 140 cents a lb. If this were reached and maintained for 15 days, a further 1m bags of quotas would be released, followed by another 1m bags if prices did not fall after a further 15 days. This means that the potential for further price rises appears limited but that the market is vulnerable to sharp falls should speculative sentiment change.

The recent rise has resulted from a nearby supply tightness as most suppliers have used up their January-March quotas and have little remaining for April-June deliveries.

Barbados sugar harvest started

By Tony Cozier in Bridgetown

THE 1982 Barbados sugar harvest has started here after settlement of a wages dispute which had threatened seriously to disrupt it.

Agreement on a new contract between the Sugar Producers Federation and the Barbados workers union followed the mediation efforts of Sir Hugh Springer, a founder of the union and former secretary general of the Commonwealth Education Conference in London, and Mr Burns Bonadie, General Secretary of the Caribbean Congress of Labour.

Both sides agreed to a Government imposed overall increase of wages of 10 per cent a year over the next two years.

In addition, they agreed on an additional 5 per cent incentive payment on all earnings for both the 1982 and 1983 crops.

Brussels backs Britain's farm aid protest

BY LARRY KLINGER IN BRUSSELS

BRITAIN yesterday won further European Commission support for its challenge over France's plan to provide additional aid to its farmers worth up to £550m.

Mr Peter Walker, the British Minister for Agriculture, renewed Britain's attack on the controversial French plans at yesterday's EEC Council of Farm Ministers, eliciting an on-the-record statement from Agriculture Commissioner Poul Dalsager that any pay-out ahead of Commission approval would be a clear flouting of European Community rules.

Mr. Walker told his nine fellow ministers that public statements by French officials indicated that the Mitterrand government was preparing to begin payments as early as March 1, but had still not provided details of its plans to enable the Commission to rule on their legality.

Britain's wider argument, which is supported in varying degrees by several other countries who are under pressure to provide matching aids for their own farmers, is that, even if much of the French plan proves to be legal, its scale alone is enough to distort trade within the EEC.

Mme Edith Cresson, the French Farm Minister, confined her remarks in council to acknowledgement that France had received the Commission's third request for details, saying that her government would reply as soon as possible.

Later, however, Mme Cresson repeated to journalists her government's contention that its latest aid packages were compatible with EEC rules. Moreover, she said, if sufficient awards were made to farmers under the Common Agriculture Policy there would be no need for special national aids.

France's practice of granting sizeable aid to its export-oriented farm industry in possible violation of EEC law has long been a contentious issue, but the timing and size of the latest packages makes it almost certain that the issue will become embroiled in the current annual review to fix EEC-wide guaranteed farm prices for the coming season.

Indeed, Mr Walker said after the meeting that the French aid question was already "part of the price fixing." If aids were to be granted on this scale, he said, the encouragement to production could mean that the commission's output forecasts could prove to be seriously wrong.

France's latest aid package was announced as recently as Friday, antagonistically to British eyes as it came virtually on the eve of this week's two-day council meeting, and in response to continuing pressure from French farmers, who in recent weeks have staged widespread and sometimes violent demonstrations over a range of issues.

This pressure was even apparent in Brussels yesterday when a group of about 150 French farmers from as far away as Provence demonstrated outside the council meeting in support of their demands for higher incomes, greater tariff protection and the prevention of Spain's joining the EEC.

However, Britain, supported in varying degrees by West Germany and some of the traditional agricultural allies of France such as Italy and Ireland, maintain that the French farmer's plight is no worse than theirs.

Mr Walker said aid on the French scale was a "perversion" of the Common Agriculture Policy. "The size of it all," he said, "means that it has to be tackled now."

He said that even the French admit that their national aid, as a proportion of output, is 15 per cent against only 8 per cent in Britain. He denied France's claims that its agriculture budget, at three and a half times the size of Britain's, was only a reflection of the size of its farming industry. In fact, Mr Walker said, France's industry is only two and a half times the size of Britain's.

Price boost for Australian wool

BY PATRICIA NEWBY IN CANBERRA

HEAVY RUSSIAN buying has helped push Australian wool prices to their highest levels for six years.

The Australian Wool Corporation was expecting an improvement in wool prices in the first six months of 1982, but even the Corporation has been surprised by the rise which has taken wool prices from depressed levels barely above the Corporation's floor price four weeks ago to 437 Australian cents a kilo—27c above the floor price.

Market observers are not sure how much wool the USSR has bought, or the reason for its sudden interest in the market. A Corporation spokesman said Russian buying tended to be sporadic and was transacted by various Australian and Japanese buying houses.

Low stocks of wool held by overseas mills is believed to be the main reason for the recent surge in the market. Mills have been running down stockpiles because of high interest rates.

The gradual devaluation of the Australian dollar over recent months has also helped to improve prices.

The Australian Wool Corporation has about 360,000 bales in store from previous intervention buying at auction to support the floor price scheme. It should now be able to sell some of this for handsome profits. Around 88,000 bales will be offered this week at sales in Sydney, Geelong and Albany.

Our textiles correspondent writes: Output of pure wool carrying the Woolmark label, the sign of the International Wool Secretariat, rose by 12 per cent in Britain during the first half of last year, compared with the same period of 1980, to 18.3m kg. This compared with a 6 per cent rise in Woolmark production throughout the world.

In spite of this strong rise West Germany remains the leading country producing pure wool, with an output of 22.4m kg in the half year.

After Britain, which occupies second place, come Japan with 17.3m kilos and Italy, 15.9m kilos.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were marginally firmer on the London Metal Exchange. Copper traded in a narrow market prior to closing at £891.25, while Aluminium was finally £607 and Nickel £3,225. Short covering lifted Zinc to [illegible]

[illegible: remainder of base metals report and price tables for copper, tin, lead, zinc, aluminium and nickel]

Standard, cash £8,950; three months £7,910. Afternoon: Standard, cash £8,950, 55, 60; and-Feb £8,450; three months £7,920, 15, 03. Kerb: Standard, cash £8,950; three months £7,905, 10. Turnover: 1,895.

months £3,220, 25, 35, 30. Kerb: Three months £3,220, 25, 20. Turnover: 4,430.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3195-205	+45	3205-15	+40
3 months	[illegible]	[illegible]	[illegible]	[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GAS OIL FUTURES

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

SUGAR

[illegible]

POTATOES

[illegible]

MEAT/VEGETABLES

[illegible]

sales were registered. Few users were interested in obtaining additional supplies, and business was far from brisk. Occasional activity was apparent in North and South American qualities, but transactions in African growths were minimal.

424-419; May 429, 432, 430-429; Aug 43[illegible] 444 [illegible] Sales: 39.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg: March 509.S, 510.0 511.0-509.0; May 520.0, 521.0, 21.0-520.0; July 528.0, 529.0, 529.0-528.0 [illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, February 16.

A STRONG DOLLAR and higher interest rates produced a major sell-off in precious metals and copper, but short-covering led to a partial recovery on the close. Heating oil rallied sharply in response to a very strong cash market. Sugar was strong on active [illegible]

14.28, Jan 14.42-14.70, March 14.80-14.82, May 14.95-15.05, July 15.00-15.30. Sales: 12,975.

Tin—735.00-750.00 (728.00-745.00).

CHICAGO, February 16.

Lard—Chicago loose 22.50 (same).

[illegible]

EUROPEAN MARKETS

[illegible]

Per 28/28 lb 1.00-1.40. Tomatoes—Per pound O/E 0.40-0.50. Cucumbers—Per package 7.00-8.00.

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.80-£6.00, codlings £2.80-£4.70; large haddock £5.20-£5.60, medium £4.70-£5.60, small £2.80-£3.80; Best small plaice £3.00-£3.40; Saithe £2.40-£2.90.

INDICES

FINANCIAL TIMES · DOW JONES · MOODY'S · REUTERS

[illegible]

Indian cotton surplus

BY K. K. SHARMA IN NEW DELHI

THE INDIAN government is being pressed to make large-scale exports of short and long staple cotton because of a surplus which has led to a sharp fall of domestic prices and meant heavy losses for cotton growers.

Cotton prices in India have fallen by as much as 80 per cent this year following a total crop of 8.1m bales. Estimated domestic demand is put at 7.6m bales. Last year's carryover stock of 1.6m bales has aggravated the problem.

But for purchases made by the Cotton Corporation of India, prices would have fallen further and hit the growers who have already been affected by the delay by the Government in announcing support prices for the current season.

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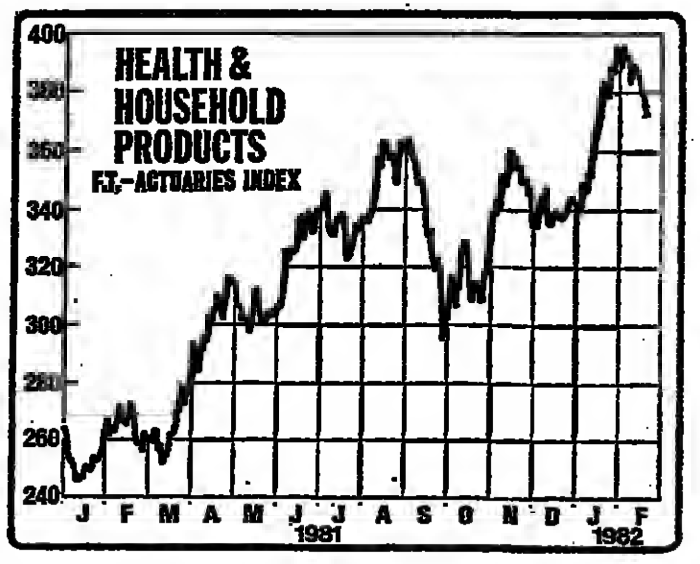
Attempt to stabilise shaken by U.S. market downturn

Equity index closes 6.9 off—Gilts lose early gains



FINANCIAL TIMES STOCK INDICES

	Feb. 16	Feb. 15	Feb. 12	Feb. 11	Feb. 10	Feb. 9	A year ago
Government Secs.	64.85	64.79	65.04	69.34	64.68	64.39	69.15
Fixed Interest	64.93	64.89	65.42	69.34	65.16	66.08	70.67
Industrial Ord.	557.2	564.1	570.5	572.0	675.7	963.2	489.5
Gold Mines	274.6	274.3	284.1	295.2	288.8	287.0	326.9
Ord. Div. Yield	5.50	5.43	9.39	6.37	5.35	5.44	7.40
Earnings, Yld. % (full)	9.75	9.65	9.56	9.47	9.44	9.60	19.47
P/E Ratio (net) (*)	13.42	13.58	15.68	13.83	13.88	13.65	7.43
Total bargains	18,549	19,791	19,021	19,626	17,514	19,566	22,294
Equity turnover £m.	—	105.77	166.92	183.19	152.00	151.19	104.62
Equity bargains	—	14,376	19,243	17,679	19,145	16,487	16,541

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

10 am 562.0. 11 am 563.1. Noon 563.2. 1 pm 563.1. 2 pm 562.4. 3 pm 559.9.

Latest Index 01-246 8026.

*Nil=11.94.

HIGHS AND LOWS

	1981/2 High	1981/2 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5/81)	60.17 (26/10/81)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5/81)	61.61 (26/10/81)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4/81)	446.0 (14/1/81)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/8/81)	262.6 (29/6/81)	558.9 (22/9/80)	43.5 (25/10/71)

S.E. ACTIVITY

	Feb. 15	Feb. 12
—Daily		
Gilt Edged Bargains	221.0	195.4
Equities Bargains	93.1	134.7
Equities Value	915.9	355.4
5-day Avrge.		
Gilt-Edged Bargains	182.1	174.0
Equities Bargains	107.5	109.0
Equities Value	290.5	392.6

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −	Div. p. or Amount	Times covered	Gross yield	P.E. ratio
§50	F.P.	10/2	30	29½	Assets Spcial 10p	29½	......	—	—	—	—
—	F.P.	—	8	2	Do. Warrants 10p	8	+2	—	—	—	—
100	F.P.	12/0	99	95	Baillie GiffordJ'n Tst.	95	......	—	—	—	—
§100	F.P.	—	57	36	Do. Warrants	38	......	—	—	—	—
†	F.P.	—	345	315	✱Eldridge Pope £1	345	+5	9.5	2.9	3.9	12.6
80	F.P.	13/1	84	81	✱Equipu. 10p.	83	+1	bd3.1	4.1	5.5	12.8
—	F.P.	—	10	7	F&C Enter. Warrants	7	......	—	—	—	—
150	F.P.	4/1	165	156	✱Hayters £1.	160	......	10.5	♦	0.9	♦
§90	F.P.	5.3.	90	89	✱Imm. Bus. Sys. 10p	90	......	—	—	—	18.5
¶¶	F.P.	—	53	48	✱Malaysian Tin 5p	48	......	—	—	—	0.1
§§	F.P.	—	13½	4½	Peek Hldgs.	13½	......	—	—	—	—
115	F.P.	99/1	151	117	Speyhawk 10p	131	......	bd7.0	2.5	7.5	5.9
¶¶	F.P.	—	14	15	TSW 5p	14	F0.6	—	6.1	—	—
—	F.P.	—	5	3½	Viners 1p	4	......	—	—	—	—
46	F.P.	19/2	54	47	✱York Mount	54	−1	b4.51	3.9	11.9	2.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc date	1981/2 High	1981/2 Low	Stock	Closing price £	+ or −
§100	£25	30/7	27¼	25¾	Barclays 16% Ln. Stk.	05½	—
**	F.P.	—	208	209	Churchbury Ests. 6.4% Cnv. Ln 1995	202	—
**	F.P.	—	210	012	Do. 8pc Cnv. Ln. 1997	210	—
**	F.P.	12/3	97	86	Habitat 9½% Conv. Uns. Ln. '96-2001	97	+1
‖	F.P.	26/2	112	102	Haslemere Est 9pc Conv Uns Ln. 2001-06	110	+½
*19½	£10	19/3	15	12	Mid Kent Water 9½% Red. Prf. 1987	13	—
§100	F.P.	—	100¾	99¾	Nat'wide Bdg. Society 16¼% (17/1.83)	100½	—
§100	F.P.	—	100¼	100	Do. 15⅝% (7/2/83)	100¼	—
—	F.P.	—	122	105	Viners 10% Cnv. Loan 1986	122	—

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
9.6A$	F.P.	—	—	244	198	CSR A $1	200	+2
140	Nil	19/2	19/5	94pm	16pm	Davy Corp.	16pm	−2
40	Nil	—	—	1½pm	1½pm	✱Energy Finance 10p	1½pm	—
65	F.P.	12/2	5/3	115	105	Glass Glover	114	—
R.2.	Nil	—	—	30pm	20pm	Griqualand 6 cts	30pm	—
180	F.P.	29/1	26/2	260	212	Kwik-Save 10p	258	—
9 20	Nil	29/9	26/3	51pm	43pm	Lovell (Y.J.)	43pm	−1
188	F.P.	11/2	26/3	232	215	MEPC	228	+2
25	Nil	26/2	19/3	16pm	10pm	Smith St. Aubyn	14pm	−2
45	Nil	—	—	5pm	9pm	Steaua Romana (Brit.)	9pm	−1
50	F.P.	19/1	19/2	68	52	Wearwell 5p	54	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ♦ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2) (a).

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Claremont Pet	65	−9	Peachey	151	+4
Dowty	116	−2	RHM	66	+2
FNFC	38	+1½	Rank Organisation	186	+2
Impala Platinum	290	−24	Reardon Smith	140	+10
ICI	342	−8	Rustenburg Plat	180	−15
Inter-City Inv	37½	+2	Singlo	37½	+1

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Horizon Travel	15	370	+20	Asso Coms A	10	84	+9
Bowater	14	251	+11	Eagle Star	10	360	+7
Imperial Grp.	14	80xd	−2½	Trident TVA	10	97xd	+1
Comm Union	13	136	+4	Turnr & Newl	10	108	+1
Lonrho	13	91xd	−1	NCC Energy	9	108xd	+8½
ICI	11	350	+4	Racal Elect	9	370	−5
Walker (T.)	11	64	—	Royal Ins	9	362	+7

NEW HIGHS AND LOWS FOR 1981/82

RISES AND FALLS YESTERDAY

OPTIONS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941.

American Growth	58.7	63.1xd	-0.1	2.30
Capital	39.3	42.5	-0.2	4.00
(Accum. Units)	50.9	55.0	-0.1	4.00
General	61.3	66.2xd	.....	4.14
Gilt & Fixed Int.	99.9	105.2	+0.3	12.45
Income	39.2	42.4xd	-0.1	8.82
Worldwide Bond	104.9	111.0	-0.2	4.95
Inv. Tst. Fd.	55.9	60.4	-0.2	3.97
Equitas Prog.	85.4	92.5	.....	4.45

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	85.6	90.1xd	.....	13.47

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds

Allied 1st	94.7	101.3	.....	5.32
Brit. Inds. Fund	82.4	88.2	+0.1	6.05
Growth & Income	59.5	63.7	+0.1	3.92
Elect. & Ind. Dev.	48.1	51.5	-0.2	4.17
Allied Capital	103.7	111.0	+0.1	4.50
Hambro Fund	142.9	152.8	-0.1	5.35
Hambro Acc. Fund	206.5	221.0	-0.4	4.52

Income Funds

High Yield Fd.	69.4	74.3xd	-0.1	8.56
High Income	88.7	94.9	-0.2	6.74
Equity Income Fd.	49.1	52.5xd	.....	7.03
Govt. Secs.	23.7	24.9	.....	13.09

International Funds

International	34.2	36.6xd	-0.3	2.57
Japan Fund	28.3	30.3	-0.1	0.54
Pacific Fund	66.8	71.5	-0.3	1.30
American Spec. Sits.	—	25.0	.....	1.10
Secs. Of America	81.9	87.6	-0.2	2.30

Specialist Funds

Smaller Co.'s Fd.	59.8	64.0	-0.1	3.67
2nd Smlr. Co's Fd.	76.2	81.6	.....	3.99

[illegible]

Chesterton Fund Managers(g)
57-68, Princess St., Manchester. 061-236 5685

Growth	15.3	16.5	-0.1	3.87
International	56.7	61.2xd	-0.8	1.23
High Income	29.0	31.3xd	.....	11.28

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	78.7	82.8	-0.2	5.63

Craigmount Unit Tst. Mngrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.7	40.1xd	.....	11.12
North American	57.0	61.6	-0.1	2.74
Canadian Exempt*	53.6	56.7	-2.5	3.45
Canadian Trust	46.9	50.7	-0.5	2.73
Mid Mount High Inc.*	47.3	50.1xd	-0.9	9.59
Recovery	60.0	65.5	+0.1	3.36
Gilt Trust	37.9	39.6xd	.....	13.39

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 3492

Cres. Amer. Fd.	39.7	42.8	-0.1	0.58
Cres. Internat'l.	83.5	90.2	-0.7	1.64
Cres. High. Dist.	46.6	50.3	-0.1	9.10
Cres. Reserves	52.5	56.7xd	-0.1	5.29
Cres. Tokyo	39.3	42.4	.....	0.29

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	22.3	24.2	-0.3	6.56

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb 12	259.9	277.2	.....	4.82

Dunbar Unit Trust Managers Ltd.
53, Pall Mall, London, SW1 5JH. 01-930 2122

Income & Growth	23.0	24.4	.....	7.58
Special Sits.	26.0	27.6	.....	2.87

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	21.2	23.7xd	.....	7.34
Gt. Winchester O'seas	32.2	35.8	.....	3.49

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australian

Tins

Copper

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	42	......	**IRISH**		
Bertrams	17‡	......	Conv. 9% '80/82	£94⅞	......
Bdg'wtr. Est. 50p	420	......	Nat. 9¾% 84/89	£65	......
Craig & Rose £1	£12¾	......	Fin. 13% 97/02	£73⅛	......
Finlay Pkg. 5p	26	......	Alliance Gas	70	......
Graig Ship. £1	£21	......	Arnott	215	......
Higsons Brew	68	......	Carroll (P.J.)	74	......
Holt (Jos) 25p	555	......	Concrete Prods.	90	......
I.O.M. Stm. £1	120	−10	Heiton (Hldgs.)	221xd	......
Pearce (C. H.)	£10½	......	Irish Ropes	37	......
Peel Hldgs.	122	......	Jacob	60	......
Sheff. Refrshmt.	85	......	T.M.G.	13	......
Sindall (Wm.)	200	......	Unidare	54	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	15	Utd. Drapery	7
Allied-Lyons	8	I.C.I.	24	Vickers	16
BOC Intl.	15	"Imps"	8	Woolworths	5
B.S.R.	8½	I.C.L.	5½		
Babcock	20	Ladbroke	15	**Property**	
Barclays Bank	42	Legal & Gen.	19	Brit. Land	7½
Beecham	21	Lex Service	10	Cap. Counties	10
Blue Circle	48	Lloyds Bank	42	Land Secs.	28
Boots	19	"Lofs"	6½	MEPC	20
Bowaters	24	London Brick	7	Peachey	14
Brit. Aerospace	17	Lucas Inds.	20	Samuel Props.	11
B.A.T.	38	"Mams"	12	Town & City	3½
Brown (J.)	7	Mrks. & Spncr.	12		
Burton Ord.	15	Midland Bank	30	**Oils**	
Cadburys	9	N.E.I.	9	Brit. Petroleum	26
Courtaulds	8	Nat. West. Bank	38	Burmah Oil	10
Debenhams	7	P & O Dfd.	14	Charterhall	6
Distillers	15	Plessey	32	KCA	14
Dunlop	6½	Racal Elect.	35	Premier	6
Eagle Star	31	R.H.M.	6½	Shell	30
F.N.F.C.	4	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	28	Reed Intnl.	26	Ultramar	38
Gen. Electric	65	Sears	6		
Glaxo	42	Tesco	5½	**Mines**	
Grand Met.	17	Thorn EMI	42		
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd.	30	Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Wednesday February 17 1982

Laker deadline may be extended

BY LYNTON McLAIN AND JOHN MOORE

THE Civil Aviation Authority is set to relax its deadlines over the operating licences of Sir Freddie Laker and his grounded Laker Airways.

The licences formally expire at midnight tonight, but the Authority said yesterday that the deadline was "not a 100 per cent cut-off point."

As the Authority indicated a conciliatory mood toward Sir Freddie, the aviation entrepreneur's personal circumstances worsened.

He has told Lloyd's, the insurance market supported by the finances of wealthy individuals, that in view of his considerable financial problems he felt it only right to cease underwriting insurance "forthwith."

But he will remain a member of Lloyd's, and Lloyd's said that it hoped he would show the necessary wealth to start underwriting again.

People joining Lloyd's usually have to show £100,000 unfettered and unrestricted. In return they receive a share of profits and investment income.

Only members who go personally bankrupt are forced to leave the market, and Sir Freddie will still receive investment income from his Lloyd's deposits, which all members must lodge with the market.

No insurance business will be accepted for him, which in turn means that his revenues of Lloyd's will fall.

Lloyd's concern over Sir Freddie's finances grew at the weekend when he said: "I haven't a bean. Everything I possess is pledged to the bank."

The licences for the former Laker Airways Skytrain flights to the U.S. and from London to Zurich were to have expired six days after the Receiver was notified by the Civil Aviation Authority last Tuesday of its intention to revoke the licences.

The authority had had no approaches from Sir Freddie or from Lonrho, his prospective financial backers, for an extension of the operating licences. Nevertheless, "we are leaving the door open because we are expecting an approach about the licences," the Authority said last night.

Even if Sir Freddie is granted a temporary extension of operating licence deadlines, he will face a series of public hearings to prove the financial soundness of his application to use the licences with the proposed Lonrho backed venture, the "People's Airline."

This would take three or four months after the 21-day period for objections by other operators.

Sir Freddie was in talks with Lonrho yesterday over their plans for the new airline.

● British Caledonian Airways said that it had completed negotiations with the Laker Airways Receiver to lease two DC-10 series 10 airliners formerly operated by Laker Airways. BCal (Charter) has already chartered the two DC-10s to two companies, Owners Services and Viking International, a company of air brokers, which are acting for 44 tour companies.

Cadbury to acquire Duffy-Mott for £41m

By Reg Vaughan

CADBURY SCHWEPPES, the confectionery and soft drinks group, is expanding its position in the North American fruit juice market with the planned acquisition of a leading U.S. manufacturer of apple juice. The deal is worth between $75m (£41m) and $100m (£55m).

Cadbury is acquiring Duffy-Mott, North America's number two producer of apple juice, from American Brands, the U.S. tobacco group which owns the UK Gallaher tobacco company.

Cadbury which instigated the deal, is acquiring a company which has 11 per cent of the overall North American apple juice market—up to 19 per cent on the Eastern coast where Duffy's presence is particularly strong. Apple juice forms the bulk of Duffy's business but in its other product areas it has a 25 per cent share of the North American apple sauce market and 8 per cent of the vegetable juice market.

The acquisition will fit in well with Cadbury's existing juice business in North America, where the group's Rose's Lime Juice has a leading position.

Schweppes traditional range of tonic water, ginger ale and soda water also has a strong position.

Mr Basil Collins, Cadbury Schweppes' chief executive, said last night that since its rights issue last year, Cadbury had been determined to develop its assets in North America. It was already big in lime juice in the U.S. and in cranberry and grape juice in Canada. American Brands was approached about six weeks ago.

Mr Collins said Duffy's apple juice brand was strongest on the East coast and was sold mainly through the grocery trade. There would be benefits from putting it together with Rose's lime juice, which was strongest in the West and sold mainly through licensed outlets.

Cadbury's total group sales rose from £1bn to £1.13bn in 1980, with trading profits improving from £70.7m to £80.5m. Within those figures North America contributed sales of £126.3m (£114.6m), generating profits of £6.1m (£5.5m). The group's drinks business in North America contributed sales of £33.2m and profits of £3.8m.

Duffy sales rose by 9 per cent to $101.64m in 1980 producing a 19 per cent gain in operating income to $6.95m.

This is the largest acquisition by Cadbury since it acquired Peter Paul for $58m in 1978. This move gave the company a major foothold in the U.S. confectionery market

Judge attacks ACC takeover battle

BY JOHN MOORE AND RAYMOND HUGHES

A HIGH COURT appeal judge in London yesterday described the takeover battle for Associated Communications Corporation, the entertainments empire built up by Lord Grade, as "absolutely dotty."

The remark was made in the hearing of an appeal by Heron Corporation, the diversified private company headed by Mr Gerald Ronson. Heron is trying to wrest control of ACC away from Mr Robert Holmes à Court, the Australian entrepreneur, through legal action.

Heron has said it will increase its £46.6m bid for ACC, while Mr Holmes à Court's Bell Group has raised its offer from £36m to match Heron's bid.

Lord Justice Brightman, sitting with Lord Justice Lawton and Lord Justice Templeman, said that from the "practical, ordinary commercial City" point of view it would be wrong for a company which must be worth more than £36m to be sold for that amount.

"It must be desirable that if there is a takeover bid it should be at the best possible price and I should have thought it was desirable to have a perfectly ordinary takeover competition in the usual way," he said.

Mr Holmes à Court disclosed yesterday that he was carrying out, in his role as ACC chairman, an investigation into the order by ACC of a Cessna jet in June last year before the company announced half-year pre-tax losses of £8m.

He said the aircraft was due for delivery "in a matter of days." A $600,000 (£328,000) deposit had been made out of a total price of $2m.

"I wish to avoid buying that jet with the least possible cost to the company. I do not want it." He described the previous commercial standards of ACC as "extravagant."

The company had four yachts, two on the River Thames, and two in the Mediterranean. One 126 ft luxury yacht in the South of France was already for sale.

Mr Holmes à Court, who takes a salary of £5,000 a year from ACC, said: "By my standards the yachts are extravagant. I am not used to any yachts."

He said that Star Group had dropped its offer—thought to be worth £7m—for the Classic Cinema chain, "because there is a prospective purchaser who is negotiating a price in excess of the one Star Group offered."

ACC "was not longer selling assets to pay the bankers" but the Classic negotiations had been going on for some time. Jetsave, the travel company which Mr Reg Pycroft, the founder, is trying to buy back from ACC, was "not on the market for sale."

Judges call for ACC documents, Page 8

Ministers resist scrutiny of state sector

BY PETER RIDDELL, POLITICAL EDITOR

SENIOR MINISTERS are strongly resisting proposals to increase parliamentary scrutiny over nationalised industries. This is likely to lead to a clash with a large group of backbenchers from all parties.

Ministers are considering whether the role of the Comptroller and Auditor General (C and AG), who audits public sector accounts on behalf of Parliament, should be extended to cover the whole public sector, including nationalised industries. This has been urged by a number of Commons committees and a motion signed by 287 backbenchers.

The issue has arisen because a Treasury White Paper opposing such a change was attacked from all sides in a Commons debate last November. Mr Francis Pym, Leader of the Commons, then said that the Government would reconsider its approach. Other Ministers feel that Mr Pym was too conciliatory, however, and that there is little room for compromise.

The Secretaries of State for Industry, Energy and Transport have argued that a major principle of ministerial responsibility is at stake. They believe nationalised industries should be responsible to Parliament through their sponsoring ministers and that there is already ample opportunity for discussion of their plans by MPs.

According to these ministers, if the C and AG and the Public Accounts Committee of MPs were allowed to ferret around and examine the books of industries, this would significantly undermine the morale and efficiency of their managements and discourage them from taking risks.

The Ministers had attempted to stiffen the Treasury's resolve on the issue. While a final decision has not yet been taken, it looks likely that any statement will offer only minor concessions.

A political problem is that Mr Pym's comments raised expectations of significant concessions. If these are disappointed, there could be anger among back-benchers, whose campaign has been led by Mr Joel Barnett and Mr Edward du Cann, the present and former chairmen of the Public Accounts Committee.

Ministers are likely to argue that while there may be deficiencies in the present accountability to Parliament of these industries, the answer is not to increase detailed scrutiny over them, but rather to improve efficiency through Monopolies Commission reports, the introduction of competition and the selling off of sections of their operations.

Chairmen of nationalised industries are likely to be relieved that they are being strongly defended by their sponsoring ministers. Although relationships with some departments are quite good, this support is in contrast with frequent criticisms of these industries by Mrs Thatcher and her closest colleagues.

Supporters of an extension of the C&AG's role have argued that Parliament and the C&AG should be able to follow public money wherever it goes to ensure proper accountability for the entire public sector.

Continued from Page 1

De Lorean

being argued that the 1,500 jobs which would be lost in Belfast—where unemployment is more than 20 per cent—and the further 7,000 which component suppliers say are threatened in the West Midlands, is too high a price to pay for the company being closed.

De Lorean executives yesterday conceded, however, that the original sales projection for the car—of 20,000 sales a year in the U.S.—are too high and that 7,000-8,000 was more realistic.

The De Lorean Board is expected to tell Mr Prior today that it has not been able to raise private funds, throwing the burden of any rescue directly on the Government.

Our Belfast correspondent writes: Unions representing De Lorean workers welcomed Sir Kenneth's remarks. Mr George Clark, of the largest union, the Transport and General, said: "The fact that the man who was called in to advise the government has now countered all the gloomy talk makes us more optimistic that the Government will accept the need to see the company through this crisis."

Continued from Page 1

British Rail report

introduce flexible rostering based on a 7 to 9 hour working day.

In reply to Mr Buckton, the board withheld its acceptance of the inquiry's recommendations until it was sure the union would accept the inquiry's clear guidance that movement from the 8-hour day was implicit in accepting that the issue be put back into the industry's negotiating machinery.

Mr Cliff Rose, BR board member for industrial relations, contacted Acas last night with a form of words to put to Aslef, tying the union more firmly into movement from the 8-hour day.

Sir Peter Parker, BR chairman, said: "We cant to be sure that nobody is fudging anything. Let's get it right this time."

The board is concerned that, if it agrees to the inquiry's recommendations to pay the 3 per cent without this tight commitment from Aslef, it will have no sanction against the union should it not meet its commitment on flexible rostering.

Continued from Page 1

Civil Service pay offer

Government finds recruitment easy at a time of high unemployment, but would pay more to retain staff whose market value was higher.

For middle-ranking executive officer grade, the rate up to 21 would be unchanged, remaining at £4,069-£5,273. Rates on the main scale will rise from £5,744-£7,247 to £5,841-£7,428, increases of 1-2½ per cent.

The Government has added another point by creating a "maximum plus-one" grade taking the top rate for experienced staff up to £7,646, a rise of 5½ per cent.

Thorn warns of growing EEC protectionism

BY JOHN WYLES IN STRASBOURG

THE EUROPEAN Community is in the grip of growing protectionism, wracked by indecision and suffering from waning commitment among member governments, M Gaston Thorn, President of the EEC Commission, warned yesterday.

Presenting the Commission's programme for 1982 to the European Parliament, M Thorn delivered an uncharacteristically gloomy analysis of the Ten's political, economic and commercial outlook.

He was greatly concerned about deterioration in relations between the EEC and the U.S. Present problems, he said, could escalate into "something much more serious" than a trade dispute.

"We get the impression that Europe and the U.S. are beginning to doubt and hence mistrust each other," M Thorn said.

His speech contrasted sharply with the optimistic declaration with which he started his term as President 12 months ago. It appeared to reflect his frustration at being forced by member states to fiddle while he watches the Community burn.

Instead of renewing his call of a year ago for integration within four years, M Thorn warned that the economic crisis was "rousing the old demons of protectionism, the illusion that salvation lies in going it alone."

The EEC's internal market faced fragmentation through a "proliferation" of unilateral national measures which were sapping the Commission's attempts to promote integration.

"The Community is lurching from wine war to turkey fight to budget dispute," he said.

The need to give the Community greater impetus was as evident as ever. While not wishing to minimise the importance of guidelines already agreed for developing new policies, the deep disagreements among the Ten over changes to the Common Agricultural Policy and measures to cut the U.K.'s payments to the budget had resulted in a dangerous deadlock, he said.

The Council of Ministers, representing member governments must "conquer its inability to take decisions." This could come only through renewed political commitment to European integration and a greater use of majority voting in the everyday running of the Community.

In a passage in the prepared text which M. Thorn omitted from his speech, the President virtually accused member governments of using their disagreement over agriculture policy and budget issues as a front for their "waning commitment to Europe or at least for fundamental differences over the structure and purpose of the community."

The EEC's internal priorities must be measures to boost investment and to reduce unemployment, said M. Thorn. He proposed the launching of a Community plan for topping up national investments with EEC funds, particularly in the energy field.

EEC Agriculture Ministers yesterday cancelled their next round of talks on the annual farm price review after deciding that no serious progress was possible until negotiations on UK contributions to the Community budget were resumed. Page 27

Weather

UK TODAY

CLOUDY in England and Wales, dry with sunny periods in Scotland and N. Ireland. Rather cold.

London, S., E., S.W., N.E., Cent N England, Midlands, Wales, Channel Isles

Mostly cloudy, some rain Max. 6C (43F).

Rest of England, I. of Man, Scotland, N. Ireland

Sunny periods, some fog. Max. 4C (39F).

Outlook: little change.

WORLDWIDE

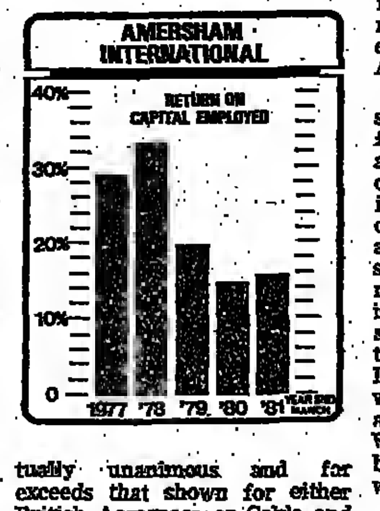
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	12	54	Lisbon	S	7	45
Algiers	C	14	57	Locarno	R	4	39
Amsdm.	C	2	36	London	R	4	39
Athens	C	10	50	L. Ang.†	R	15	59
Barcina.	R	11	52	Luxmbg.	C	1	34
Beirut	S	12	54	Luxor	S	18	64
Belfast	C	4	39	Madrid	C	7	45
Belgrd.	F	19	66	Majorca	R	12	54
Berlin	C	0	32	Malaga	F	14	57
Biarritz	C	7	45	Malta	C	17	63
Bmghm.	C	3	37	M'chstr.	F	4	39
Blackpl.	S	5	41	Miami†	F	20	68
Bordx.	C	6	43	Milan	C	6	43
Boulgn.	C	2	36	Montrl.†	S	−1	30
Bristol	C	5	41	Moscow	S	−2	28
Brussels	C	1	34	Munich	C	−2	28
Budpst.	S	4	39	Naples	F	15	59
Cardiff	C	3	37	Nwcstl.	C	5	41
Cas'b'ca	C	13	55	Nice	C	14	57
Chicg.†	C	2	36	Nicosia	F	13	55
Cologne	R	3	37	Oporto	S	7	45
Cpnhgn.	C	0	32	Oslo	S	−5	23
Corfu	C	12	54	Paris	C	2	36
Denver†	S	4	39	Prague	C	−1	30
Dublin	C	4	39	Reykjvk.	R	5	41
Dbrvnk.	S	3	37	Rhodes	F	13	55
Ednbgh.	F	−1	30	Rome	F	15	59
Faro	F	15	59	Salzbrg.	C	0	32
Florence	C	10	50	S F'cisc†	C	14	57
Frankft.	Sn	2	35	Stckhm.	C	−2	28
Funchal	C	16	61	Strasbg.	C	4	39
Geneva	C	4	39	Tangier	C	7	45
Gibraltar	F	13	55	Tel Aviv	C	13	55
Glasgow	S	0	32	Tenerife	R	14	57
G'nsey	C	4	39	T'ronto†	C	0	32
Helsinki	C	−3	27	Tunis	F	19	66
Innsbrk.	F	3	37	Valencia	C	13	55
Invrnss.	S	7	45	Venice	C	6	43
I.o.Man	F	5	41	Vienna	S	3	37
Istanbul	S	7	45	Wash'tn.	C	11	52
Jersey	C	5	41	Zurich	C	2	36
L. Plms.	F	19	66				

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. † Noon GMT temperature.

THE LEX COLUMN

The Atlantic gets wider

Index fell 6.9 to 557.2



U.S. investors had had a long weekend to think about last Friday's money supply figures, so the behaviour of the New York markets yesterday was presumably the result of sober reflection. Two points were knocked off bond prices at the opening (although there was a rally later on) and money market rates moved up to a level which suggested primes might soon be above 17 per cent.

Having waited nervously for a day and a half to see just how badly New York would take the news, the London markets took it all remarkably well. Gilt-edged prices slipped only a fraction, although long-dated Government bonds now yield a quarter point more in New York than in London. The institutions seem unwilling to move out of long-dated gilts when there is no tap stock through which they could get back in again.

The falls in U.S. bond prices washed straight through into the equity market on Wall Street, which is not surprising since by all the traditional yardsticks shares are overvalued relative to bonds. The yield on the Dow Jones Industrial is still under 7 per cent, and there is little scope for dividend growth in a year that looks certain to produce yet another fall in companies' real earnings.

The market is being led down by shares in the cyclical industries — machine tools, paper, railway equipment, steel and the like—all of which have been hitting new lows. The industrial production figures, due today, will help to explain why: they are likely to show the sixth straight monthly drop.

However, share prices are now less vulnerable to the false optimism that was evident in analysts' forecasts a month or two ago. And the returns from quality shares in, for example, the chemicals sector are now beginning to look quite attractive by UK standards. The Dow Jones average is now testing its low points of last September, whereas the FT Industrial is the best part of 100 points higher than it was at that time.

The crucial difference between the UK and the U.S. at present—at least in investors' minds—is that in the UK the Government and the financial markets are trying to pull in the same direction.

Amersham

Amersham International is turning out to be the Government's hottest property yet. The City's enthusiasm for it is virtually unanimous and far exceeds that shown for either British Aerospace or Cable and Wireless. At least one broker is recommending purchases up to a price of 190p, at which the yield is 2.6 per cent.

That kind of premium over the 142p offer price is by no means guaranteed, even if the offer is very heavily oversubscribed, but the stags look likely to make a profit at HMG's expense yet again and there are sure to be complaints about the fixed price offer mechanism. The flotation has certainly been finely timed. The dollar, a principal determinant of Amersham's reported profits, has begun moving in the right direction and the pharmaceuticals sector, into which the company will slot, is performing strongly relative to the market.

The vulnerability of earnings to currency swings is perhaps an inherent disadvantage and there is a question mark over the long-term future of radioactive chemicals in health care. Since Amersham is bid-proof, there is no room for a takeover premium in the price. But this week the City will be concentrating on the company's undoubted attractions.

Dalgety

Dalgety's interim figures show increasing, if unspectacular benefits from its work on integrating Spillers, as well as the advantages of a broad international spread. Pre-tax profits for the six months to December are up from £16.2m to £19.6m, despite a £2.8m rise in the interest charge, which absorbed 47 per cent of trading profits.

The most notable feature of the profits breakdown is the improvement in the U.S. from break-even to a £4½m trading surplus. This essentially reflects the turning round of the frozen food business which, like Modern Maid, is now making a small profit. Lumber in Canada is very weak, but there is a modest increase—much of it exchange rate related—in Australasia.

The rise in gross borrowings since December 1980 from £230m to £254m is entirely accounted for by currency changes; an outflow from trading has been offset by some disposals. Dalgety appears to accept the City view that a somewhat lower level of gearing might be desirable—but a rights issue does not look like the solution. Share capital has trebled in five years and Dalgety is already stuck with a very high level of distribution as a legacy of the Spillers bid. Retentions in the first half, before extraordinary items, were just £3½m.

So asset disposals look to be on the cards, with the group's Australian coal mine and U.S. frozen food interests in the front of the shop window. The combination of lessening balance sheet strains and better returns on the Spillers assets could help the share price higher, particularly if U.S. interest rates break downwards. But there is little scope for the dividend to be prudently raised, since current cost cover is poor, and at 338p, up 2p yesterday, the shares already trade on 12 times prospective fully-taxed earnings. The yield is 9.6 per cent.

THF

The Companies Act 1948 failed to anticipate the present curious relationship between Trusthouse Forte and the Savoy Hotel. The Savoy is a subsidiary of THF under the terms of the Act but the absence of voting control or Board representation has prevented THF from consolidating.

So the Savoy is treated as a trade investment in THF's latest annual report while a substantial extract from the Savoy's own accounts is included, to conform with the requirements of the Act. The Savoy figures for the year to December 1980, are largely of historic interest but THF was apparently unable to prevail upon its subsidiary/trade investment to provide more up to date numbers.

The remainder of the annual report (in much bigger letters than the pull-out Savoy section) sheds no real light on THF's intentions. But the company is giving some indication by seeking a 100m share increase in authorised capital.

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